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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF
THE BRITISH COMMONWEALTH

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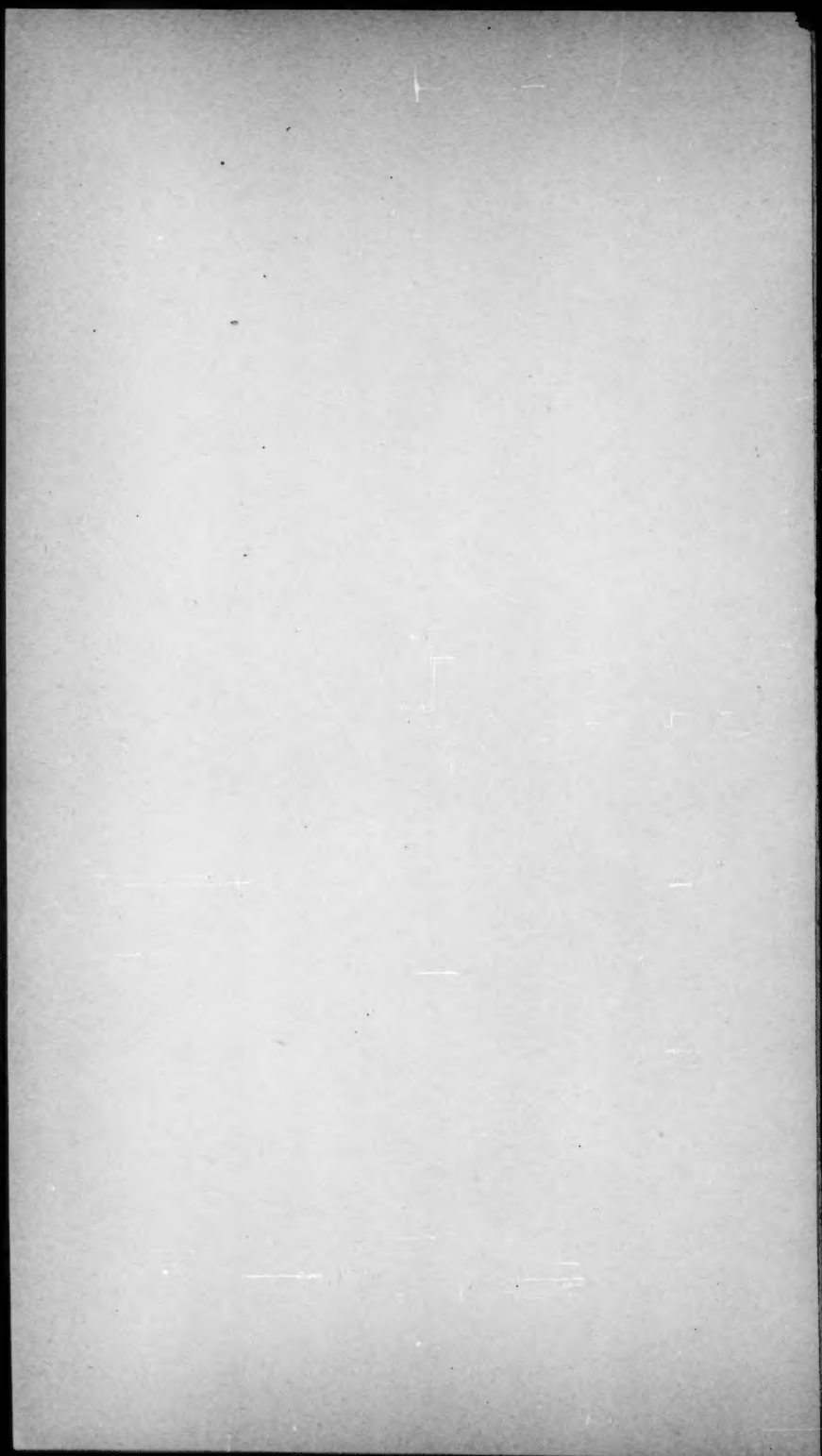
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Mr. de Valera's Fifth Year

SEA

AND THE QUARTERLY REVIEWS OF AFFAIRS IN
CANADA; AUSTRALIA; NEW ZEALAND;
SOUTH AFRICA; GREAT BRITAIN

MARCH 1936

FIVE SHILLINGS



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OF THE BRITISH COMMONWEALTH

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KING AND EMPIRE

WITHIN a bare six months of the Silver Jubilee the rejoicing of the Empire has turned to sorrow and a much-loved King is no more. His Majesty spoke on the wireless to all the Empire on Christmas Day. Delicate though he had been ever since his illness in 1928, he was generally believed to be standing the winter well, and had shown no weakening in his power of work or in his grasp of the manifold business that the King transacts. It was known, however, that his resistance was small, and that any further illness, however slight, might all too probably be fatal to him. So, to our grief, it proved. The first warning was given on Friday, January 17, late at night. After three days of anxiety, during which the whole world watched for the bulletins from Sandringham, where he lay, on the evening of January 20 His Majesty sank rapidly, and died peacefully a few minutes before midnight. He was not quite midway between his seventy-first and seventy-second year.

The press of every continent has described at length the touching ceremonies that ensued. Carried in simple majesty to the Empire's capital, and received by the two Houses of Parliament in Westminster Hall, His Majesty's body lay there in state for four days, while an unbroken stream of sorrowing subjects passed silently through the ancient twilight to pay their final homage. For a time during the last night of that vigil, the young King and his three brothers themselves stood guard about the bier. On January 28 King George V was borne to his last resting place in St. George's Chapel, Windsor, amid respectful crowds that exceeded in number even those of the Jubilee. A great chapter in the history of the Empire was closed; another chapter, pregnant of many changes, had begun.

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This is unquestionably the general feeling, though historians may tell us that it is no longer scientific to measure periods of history by the reigns of kings. Of all the leaders who saw Europe or the Empire or America through the Great War, George the Fifth of England and the Dominions beyond the Sea was the last to lay down his office. His experience bridged the gulf between the pre-war and post-war worlds; it was therefore longer than that of any statesman now in power. For twenty-five years he had stood unflinchingly upon the bridge of that great ship, the British Empire, which bears the fortunes of a quarter of the globe, and had become a centre of quiet stability and wisdom in times distracted by constant change. The loss of such a personality is not easily made good; its passing means of necessity that another era opens and new forces begin to tell, since personality is all-pervasive when it radiates from the Throne. Tradition holds deep sway among us; the driving power of our institutions neither falters nor flags; our representative system shows no strain; the constitutional engines revolve; the great ship forges steadily on. Such is the strength of freedom knit with law. But from the bridge of the ship a central figure of ripe experience and proved stability is gone.

In moving the resolutions of condolence to King Edward and Queen Mary, both Mr. Baldwin for the Government, and Mr. Attlee for the Socialist Opposition, laid emphasis upon that fact. Year by year, King George won for himself an increasing trust, and with it a spiritual authority which had not been given in that form or measure to any of his predecessors upon the Throne. He never strove for it; he was himself amazed to discover, in the latter part of his reign, that it was there. By virtue of quiet and simple wisdom, of hard and many-sided experience, of wide human sympathy, of shining integrity and of sheer goodness of heart, he achieved a greatness which places him for ever amongst the noblest and most honoured

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of our Kings. At the meeting of Parliament before the ceremony in Westminster Hall, when Parliament received the body of their King for his lying-in-state, Mr. Baldwin, speaking for "the immemorial procession of the Commons", carried the House back to the first Edward, who was also the first of our Kings to try to rule through law. Of him—so ran the Prime Minister's words—"one of our greatest historians said that he saw what was best for his age and for his people, led the way and kept the faith." No better words can be found for the life-work of King George, whose destiny and whose achievement it was to wed democracy and monarchy in a manner never dreamt of before, and thus to give new and vital significance to the welding power of the Crown. Of the four great European Sovereignities that held together a union of varied peoples before 1914 his alone survives. The peoples of the Empire, however much they and their leaders desired it, could not have made that marriage of old and new, of ancient tradition and modern thought, by their own unaided will. Instinct was indispensable in the wearer of the Crown. King George's instinct amounted to genius, and it never faltered. In his latter years especially, as witness the speeches he made throughout the Jubilee, his sureness of touch and understanding were supreme.

Nor was that all. We mourn his death with a sense of loss more intimate and personal than normally attends the passing of even the greatest Kings, and that because he identified himself with his people by a gift of human fellowship which carried his simple personality into every English-speaking home. The invention of wireless no doubt immensely facilitated this personal touch between Sovereign and subject; but the force that brought it into being was the human heart and mind of the King. When in his Christmas broadcasts he spoke as the father of a world-wide family, he was using the only metaphor that could adequately convey his feeling for his peoples and

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theirs for him. The fact that this intimate regard was shared by the people of the United States shows how much of it was due to his personality, giving new significance to the supreme and ancient office that he held. It may indeed seem strange that a King who never worked for effect or tried to assert himself in the eyes of the world should in fact have made a deeper impression on his times than many of his predecessors with greater constitutional power and markedly imperious wills; but undoubtedly, for all its modesty, it was King George's character that told. There was never any artifice in the words His Majesty used; there was just himself, with the background of a life in which, for all its trials, there was nothing to conceal.

From beginning to end, that life had been dedicated without reserve to duty as he saw it, and he always saw his duty clear. It was, moreover, simple despite the ancient splendour in which it sometimes moved, and it was marked by homely traits that endeared him to his whole realm. Everyone, for instance, was aware that he loved his family and liked to have them about, that he petted his animals, that he enjoyed many kinds of sport, and that he laughed wholeheartedly at jokes, including his own. Everyone appreciated his unassuming rectitude and the pattern of family life that he set to his age, with the help of a devoted and highly gifted Queen. Everyone, in short, felt the better for having such a King. To be a gallant and simple gentleman is always to be of service to the world; it is of even greater service to be one in the light and shadow of a Throne. Goodness is always goodness, but it is raised to a peculiar power when it graces a life that is lived perforce with the whole world for its stage. Little wonder that for a moment of history, between his death and his burial, his passing made the whole world kin.

Of him indeed, as of very few of the great ones of this world, the lines of Rudyard Kipling stand true :—

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He scarce had need to doff his pride or slough the dross of earth—

E'en as he trod that day to God, so walked he from his birth,

In simpleness and gentleness and honour and clean mirth.

It was well for us that this quiet and upright King brought to his reign the very qualities it most required. Having served the Empire faithfully through twenty-five years of constant change and stress, he is one with the great company of its immortal dead, and his name will be part of its history so long as that history endures.

Throughout his Empire his subjects have given their heartfelt sympathy to the Queen. No King in all our annals has had a more faithful Consort to share his burdens and sweeten his life. Her Majesty has played her part throughout her husband's troubled reign with courage, with dignity, with charm and with a sense of duty not second to his own. She will keep the love of his peoples as long as she lives. In the roll of English Queens there is none but Elizabeth and Victoria, Queens in their own right, who have served their people more signally than she.

King Edward is forty-one—four years younger than his father was when he ascended the Throne—and he still looks younger than his years. His Majesty is one of the shattered generation that gave its best and bravest to the war, and that fact may prove immensely significant. King George, as we have said, bridged the gulf between the pre-war and post-war worlds. In these latter years, however, a new gulf has arisen; it divides the generation that stood the strain of war from a later generation, which, remembering nothing of the war and its causes, sees only the bitter consequences and condemns what it sees. In the mind of this new generation the emphasis has passed from freedom to social reform and peace. Hundreds of young men have been leaving the universities embittered

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with things as they are, because there is no adequate demand for the capacity that their talent and training have given them. The same discontent, in a different form, is naturally strong among the far larger number who are leaving the elementary and secondary schools and have to wring a living from society or become the pensioners of the state. All these are at enmity with the system into which they were born. They attribute its injustice, as they see it, to capitalism and war, and they are therefore socialists and pacifists, set upon the creation of a new economic order and the cult of universal peace. These inchoate but fundamentally reasonable ideas, both material and spiritual, are carrying us by one experiment after another to a new economic and social order, and no one feels more strongly than the King the need that all Governments should strive unceasingly for what he himself has described in simple English as "better times for all".

So far as this, the heart of the Empire, is concerned, here lies one of the central problems of the new reign. King Edward, though his memories go back to the war, though he graduated in that hard university and found his manhood there, is close in spirit to all this unhappiness and unrest. He has studied it at first hand; he knows what poverty means; he understands the bitterness of men and women who feel that a great country should at least be able to ensure them a decent and steady job. He realises also that, slowly as the face of things alters in England, there remains in its heart but little patience with unearned privilege and hereditary rank. No King has ever mounted the Throne with such an intimate and understanding grasp of what the masses of his people think and feel. The people know it, and they trust him to keep that sympathy bright and keen. King George became a people's King. King Edward begins as a people's King.

With social and economic problems in the Dominions he will not have so close a touch; but he knows and

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understands their varied peoples most intimately too. During recent years there has been one marked difference between the Sovereign and his political advisers, from whatever region of the Empire or whatever party they may have sprung. Politicians throughout the Empire are principally concerned with the electorates to which they owe their power; they think of the Empire when need arises, but they do not think of it all the time. Not so the Sovereign. The Empire as an Empire—its welfare, its cohesion, its security—was always in King George's mind, informing his feelings and his thoughts. One of his last spoken enquiries, the Prime Minister has told us, was for that Empire, which had been so wonderfully saved and mightily transformed during his anxious reign. Some change of ideas will necessarily mark King Edward's tenure of the Throne, but in constant care for the Empire as a whole there will be no change. He feels himself as much a part of every young Dominion as of the Crown's most ancient realm. He knows the speech, the humour, the turn of mind, the atmosphere, the life of each and all. Their very youth appeals to him, the confidence, the frankness and the freedom of their ways. If, then, he is a people's King in Great Britain, he is no whit less such a King for all the nations of the Empire. To know the Empire from books or even from Imperial Conferences is hardly to know it at all. His Majesty knows and loves it as a sailor knows and loves the sea. What better title to such an Empire could any Sovereign claim?

Earnestness for the welfare of all his peoples this King will never lose. But social and economic problems, vast as their importance is, are not the only care that he will have. An ancient spectre, that of war, which also he understands, is lifting its hateful head. The terrible sacrifice undergone so short a time ago to make the world "safe for democracy" has not, after sixteen years of waning hope, produced that result, and democracy has once more to demonstrate its will and power to survive. This is no

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place in which to analyse again the problem of security that confronts the Empire and the League, but we must not blind ourselves to the fact that King Edward's reign, like his father's before him, opens under a menace which the statesmen and peoples of the Empire can no longer safely ignore. THE ROUND TABLE was founded in the first year of King George's reign, and called from its very outset for preparation against the German danger, not because it had capitalistic interests to serve, but because its founders believed that the first duty and also the first necessity of the nations of the Empire was to protect their freedom and the promise of their commonwealth against an autocracy determined to make its militarist culture the strongest power on earth. Now, once again, the challenge is thrown down.

Two questions, writes a great Liberal historian of Liberalism, are prompted by Europe in its present state * :—

Will the peace be preserved? Can liberty survive? These questions have often been asked before, but never with the implications which they must now carry, for to each question there is to-day attached an aspect which is entirely novel and unprecedented. Aviation has come into war. A new scientific technique and apparatus for propaganda has come into politics. Antiquity has never beheld despotisms so penetrating and all-pervasive as those which with the help of modern mechanism it has been so easy to set up in Russia, in Italy and in Germany. It is a light matter now for any government with the tremendous means at its disposal to decree and to enforce the spiritual servitude of the totalitarian state. Equally, it will be a light matter on the outbreak of hostilities for any Power well served in the air to lay whole cities in ruins almost before the enemy population has woken up to the fact that it is at war.

Great Britain, the heart of the Empire, is therefore no longer secure behind her moat of sea; and assuredly no subject realises more keenly than the King that the danger is real and that a decisive part of the history of his reign

* *A History of Europe*, by the Right Hon. H. A. L. Fisher, Warden of New College, Oxford. Vol. III, p. 1217.

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will be made in the air. He proved that by his first gesture, flying as he did from Sandringham to London to attend the Council that proclaimed his accession to the Throne. He is, moreover, a sailor's son, widely travelled himself in all parts of the globe, and none is therefore less likely to forget that in a world such as ours to-day a maritime Empire needs paying ships of its own to bear its trade, and serving ships of its own to guard its trade, on all the seven seas.

Let none suppose, however, that the King will wish his peoples to put their faith in the power of arms alone. We cannot resist the spreading doctrine of autocracy and militarism by surrendering to it ourselves. Fascism in England would be suicide for England herself and the destruction of the Commonwealth. Not for any of our nations the philosophy of power, which sacrifices individual character, be it of man or of nation, to an over-riding state. But neither can we rest upon a system so little organised for common action as that which we now possess. If we should seek to do so, then also freedom would perish from the earth. "In international affairs", we wrote in this review six months ago, "the co-operation of exclusive national sovereignties cannot be the last word in political organisation, if freedom is the goal." There stands the fundamental problem of our parliamentary Commonwealth, confronted in this new reign by a revival of military despotism with powers more absolute than despotism has ever wielded before.

Warmer light and colder shadow could hardly chequer the road that stretches before King Edward and his peoples as he steps to the head of the moving column and takes his father's place. It is fortunate that he knows his peoples well from personal contact and not from books. Never indeed was a Sovereign so close in mind to an Empire of many races on first succeeding to the Crown. Books have at no time attracted him, and he will probably find the drudgery of papers that a Sovereign must sift or sign

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more harassing than did his father, who took easily to routine. But that he will surely discover his own way to overcome. "Dinner with the King," records the late Lord Esher * in his diary at Windsor for January 23, 1908, two years before King Edward the Seventh died.

After dinner talked on old family affairs to the Princess of Wales. She is worried about the bad spelling of her eldest boy, David, but he is wonderfully bright otherwise, so it is not very important.

Lord Esher was right. That David, now King Edward, was then a boy of thirteen. Tutor, schoolmaster and don no doubt did their best thereafter; but books and papers have never been his affair, for he preferred to learn from the speech and life and action of men. In talk he gathers quickly and surely what there is to know, and the gist of his catholic experience of men and their ideas is stored in a keen and receptive brain. He has, moreover, the statesman's sense of judgment, and a gift for penetrating through tradition, misty-mindedness and make-believe to the inner reality of things. Of all the lessons a Sovereign, like other men, must learn, patience is the hardest; but the King is no stranger to the conduct of great affairs, and he has been schooled by a closer contact with the difficulties and delays of government than any previous Heir to the Crown. One other priceless asset he possesses, which no one, as Barrie has told us, can ever lightly define, and that is an irresistible charm. Whatever, then, the shadows that overhang the opening of his reign, this Sovereign will strive, and this Sovereign will deserve, to lead his peoples into sunnier climes. Hope and love, for all our troubles, surround him on every side, and he brings the spirit of youth to the world-wide influence and horizon of the Throne. The King is dead; long live the King.

* *Journals and Letters*, Vol. II, p. 277.

THE ROOT OF OUR PRESENT DISCONTENTS

I. THE PEACE SETTLEMENTS OF VIENNA AND PARIS

ARMAMENTS are the thermometer of the world's international health. If they are rising it is proof of fever which may end in the tragedy of war. If they are stabilised or falling it is proof of returning health and sanity. Judged by this test there is no doubt that, despite the sudden vitality of the League in dealing with the Abyssinian war, the world is very sick. There is not a nation, whether it be dictatorship or democracy, socialist or capitalist, whether situated near the danger zones in Europe and the Far East or in less troubled latitudes, that to-day is not feverishly expanding its armaments, under an increasing fear of war. What is the cause of this baleful manifestation, of the failure of the continuous and concerted efforts that have been made since 1918 to find a lasting basis for peace? Unless we can discover and remove that cause, and so stop the competition in armaments, it is difficult to see how we are to escape another world war in the not very distant future.

The fashionable explanations may be summarised as follows: the undue severity of the Treaty of Versailles; the refusal of the United States to join the League of Nations and ratify the treaty of guarantee to France; the vindictiveness of France towards republican Germany; the hesitation of Great Britain to give those guarantees to France that might have moderated her attitude while the German Republic was in existence; the militant imperialism of Japan, Italy and Germany. Communists will attribute our sickness almost entirely to competition engendered by a profiteering capitalism. All these, no doubt, are elements

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that have contributed to the downward trend from the high hope of the Wilsonian era, that the Great War would be the last world war, because the victorious democracies were going to bring a new international order into being. But there is another and more cogent explanation of our immediate troubles than any of these.

Frank Simonds, in a recent depressing but remarkable book,* has drawn an interesting parallel between the work of the Congress of Vienna in 1815 and that of the Peace Conference in Paris in 1919. The Congress of Vienna drew up a peace settlement which included the establishment of a permanent concert between the European great Powers for the preservation of peace. According to the ideas of the time, the settlement was not unsound, and there was no general war for a century. But the Vienna Congress failed to take into account the then feeble but rapidly growing force of political nationalism; and gradually this force undermined its handiwork, sometimes by peaceful adjustments, more often by localised wars,† until its threat to the existence of the Austro-Hungarian Empire precipitated the world war of 1914. President Wilson's fourteen points, which were the agreed basis of the peace settlements made for Europe in 1919 and for the Far East in Washington in 1922, gave full play to that principle of universal national self-determination, which had failed to win recognition a century before at Vienna. Except for a refusal to allow the Austrian and German peoples to attain racial unity by the *Anschluss*, if they should wish to do so, and for a number of relatively minor frontier injustices mainly affecting Hungary, the Paris-Washington treaties were the best political settlements ever made after a great war. The treaties contained, moreover, in the Covenant of the League of Nations, an instrument for the preservation of peace more universal and fundamentally

* *The Price of Peace*, by Frank Simonds and Brooks Emeny.

† E.g. in Italy, in Austria, in Alsace-Lorraine, and several times in the Balkan peninsula.

PEACE SETTLEMENTS OF VIENNA AND PARIS

far more sound than the old Concert. There is little doubt, too, that even the ban on the *Anschluss* could have been removed, the necessary frontier and colonial rectifications could have been made, and the League would have been an adequate instrument for the prevention of war, had not the Paris Conference been as blind to an element fundamental to a lasting solution in this century as the Vienna Congress had been to the import of political nationalism a century before.

The Paris Peace Conference, while making full room for nationalism, utterly failed to realise that to allow that nationalism to extend as fully in the economic as in the political sphere was to create a force as fatal to peace as was the failure of Vienna to make room for political nationalism itself.

This catastrophic mistake operated in two ways. It resulted, in the first place, in a burden of reparations upon the defeated countries, and of war debts upon the victorious Allies, which they were quite incapable of paying, especially when the ultimate creditor country, the United States, continually raised its tariff as its debtors made increasingly vigorous efforts to pay their obligations through the ordinary channels of trade. This aspect of the Paris mistake has now been exposed, in the German inflation that followed the Ruhr debt-collecting expedition, and in the world depression and the destruction of the international gold standard, which resulted as soon as the United States, and to a less extent Great Britain, ceased trying to disguise the consequences of this inflated war indebtedness by lending to Germany, the principal debtor, the wherewithal to pay. It has ended in a practical cancellation of reparations and war debts, and a considerable writing-down of other forms of international indebtedness both public and private, but at the price not only of intense suffering everywhere but also of the overthrow of democracy and the rise of dictatorships in one country after another throughout the world.

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The second aspect of the Paris mistake in economics still persists—the undiminished determination of practically all sovereign nations to become economically as self-supporting as possible, to produce for themselves as much of their own food, raw materials and manufactures as they can. This economic nationalism, caused partly by fear of war, partly by the nationalist desire for a rounded economic life, and partly by the organised pressure of vested interests, has perpetuated and intensified the economic dislocation arising from the war and the attempt to collect war debts and reparations. It has had three major effects. It has immensely lessened the volume of international trade, and thwarted that continuous economic development of the backward parts of the world which was characteristic of the pre-war era, and which not only raised the standard of living of those parts, but at the same time gave employment to capital and labour in the industrial nations. It has thus caused unemployment everywhere. It has made it increasingly difficult for certain industrialised countries, notably Germany, Italy and Japan, to pay for those essential foodstuffs and raw materials, such as coal, iron ore, rubber, coffee, cotton, nickel, wool, tin, petroleum and aluminium, which they do not produce within their own countries, by paying for them by exports of their own manufactures; for other nations are unwilling to receive such exports. And it has almost stopped migration from over-populated Europe to the new world, partly because nationalism has made States more critical of the type of immigrant they are prepared to admit to citizenship, but far more because they will not admit immigrants unless they know there will be a market for the primary products the new-comers will produce.

The troubles of the contemporary world, therefore, are not political, in the narrower sense of that word, but economic in their origin. The main failure of the Paris Conference was not political—the frontiers it laid down—but economic. The Paris settlement would have succeeded

PROBLEM OF THE "SUFFOCATED" POWERS

well enough if the United States had joined the League, if the League had immediately and successfully tackled the reparations and war debt problem, and if it had managed to reduce trade barriers to such moderate dimensions that world development could have been resumed and the consequential adjustments between world supply and demand could have been made through the price system and migration, as they were during the latter half of the preceding century. In fact, however, all nations, headed by the United States, have surrendered to economic nationalism, and to-day we are faced with its consequences—universal unemployment, social discontent ending in dictatorship, the renewed competition in armaments, and the rising threat of war.

II. THE PROBLEM OF THE "SUFFOCATED" POWERS

IT is no accident, nor the result of any special malignity, that the menace to the world's peace springs to-day from Japan, Italy and Germany. Except that Germany desires the reunion of all German majorities within her national State (principally by the *Anschluss*) and is prevented from sending troops into the Rhineland for purposes of defence, none of these States has any grievances of the old nationalist kind. They have national unity and self-government. Their fundamental grievance in each case is economic. They see no way of ending unemployment or of securing a reasonably rising standard of living for their peoples in their own territories. They are what have been called the economically "suffocated" Powers. Unemployment, and still more the lack of any assured economic future, has had in each case three fateful consequences: first, the establishment of some kind of autocratic government in order to maintain order at home—a form of government, however, that is quite unable to solve the problems by which it is confronted, despite its powers, because they are external in origin; second, the impregnation of the youth of the country with

THE ROOT OF OUR PRESENT DISCONTENTS

the conviction that only by war, or by a readiness to make the sacrifices involved in war, can their country's salvation be found; and, third, in Japan and Italy to imperialist foreign war, partly as a distraction but mainly in the hope that it will lead to the control of territory from which raw materials can be obtained and in which their own products can be sold or their surplus population settle. Unless some remedy can be found, it is inevitable that when she has recovered her military strength Germany will be driven along the same course.

For under the régime of economic nationalism, neither the other nations, nor the League, have yet done anything effective to meet the fundamental economic needs of the discontented Powers. The League, indeed, has so far been mainly concerned to resist attempts at expansion by way of aggression, and has scarcely even tried to remove the fundamental economic restrictions making for aggression. The other great Powers of the world—the self-governing nations of the British Commonwealth, Russia, France and the United States—though themselves affected by the universal economic nationalism—have relatively satisfactory access to raw materials or preferential markets or opportunities for migration within their own national or imperial domain, and support the League—or are friendly to its policy—as an instrument for maintaining the political and economic *status quo* by which they benefit. The small nations, while some of them also are interested in the questions of markets and raw materials, are huddled together in support of the League because their principal fear is that a general war might result in the loss of their own political independence or integrity.

If these conditions are allowed to continue, if the world continues to be divided into watertight economic compartments, some of which are able to maintain a much higher standard of living than others, two results are inevitable. The first is a continuing series of crises, leading to the formation of a military alliance system embracing all

ECONOMIC NATIONALISM

Europe, Asia and Africa, and ending in another world war. We have had two premonitory explosions already, one in Manchuria, the other in Abyssinia. Signs of an impending third explosion in central Europe when Germany is fully re-armed are already manifest. Unless something effective is done to relieve the economic pressures that cause this tension, the whole world outside America may be ranged in a new balance of power, one side concerned with the maintenance of the *status quo* and ranged under the Covenant of the League, and the other a frankly expansionist alliance. And if such a Eur-Asian conflict arose, inevitably far more savage and violent than the war of 1914, it is certain that the American republics could not long keep out, if only because the British Commonwealth is the outer ring of American security. If it were ever in doubt, as it was in 1916, whether the military expansionist Powers or the western democracies were going to win, and if it became possible that dictatorial Germany, Italy or Japan might inherit the British and French possessions in the Pacific or the Atlantic, the United States and the other republics after her would be quite unable to keep neutral, out of regard for their own security.

III. ECONOMIC NATIONALISM, SOCIALISM, AND THE COLONIAL QUESTION

BUT a further internal effect of economic nationalism must be noted. The struggle between sheltered and unsheltered industries, the unemployment and the consequential public works programmes and higher taxation, caused by the closing of the channels of international trade and unbalanced international indebtedness, have forced every government to interfere more and more in the internal life of its own country. As this process continues and appears more and more likely to be permanent, an internal political struggle sets in over the question whether that interference is to be in the interests of property or in

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those of the proletariat. In other words, economic nationalism is having the effect, not only of hastening and intensifying the controversy between socialism and capitalism—which in any case is likely to be the central political issue of this century—but also of forcing it towards extreme and violent forces, towards communism on one side and fascism on the other. This is not the place or occasion to discuss the merits or demerits of socialism or capitalism as an economic system. But there can be little doubt in the minds of readers of this review that the right way forward, whatever it may be, is along constitutional lines. Economic nationalism is making that road increasingly difficult to follow.

If the diagnosis of this article is correct, it is the practice of sovereignty in the economic field, given unrestricted play in Paris in 1919, that is the root cause of those tensions which are driving nations towards imperialism, alliances and war in external affairs, towards dictatorship and revolution at home. There are other causes, no doubt. But the most urgent and dynamic pressure towards war and revolution springs from that cause; and only if economic nationalism can be moderated sufficiently to lessen that pressure, and to give the nations a reasonable prospect of raising their standards of living by pacific means, will the present trend towards armaments, dictatorship and war be abated. Even the defeat of Signor Mussolini's aggression in Abyssinia, unless it is accompanied by a far more ambitious attempt to deal with economic nationalism, will do little to remove the fundamental causes making for war to-day.

It is not the purpose of this article to discuss ways and means of doing this. Its object is to direct attention to the essential nature of the problem that confronts those who seek to prevent war. But very briefly it seems to fall into two parts. The first is to remove by agreement the last elements of that political discrimination against Germany which has given power to the National Socialist

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régime.* That will not solve the problem, but there will be no real pacification in Europe until unilateral discrimination is ended. The second is to grapple with economic nationalism itself. Fundamentally it is a question of making possible a renewal of international trade, investment and migration by a reduction of the general international restrictions on the flow of goods, capital and migrants. That is the only remedy capable of affecting employment and the standard of living on the scale that is necessary.

The colonial question enters into the problem, but for reasons of national pride and *amour propre* far more than for economic reasons. The only considerable colonial area left in the world is Africa between the Sahara and the Zambesi. The peoples of Asia are rapidly moving towards self-government, and even the peoples of central Africa are beginning to become politically self-conscious and to have a real voice in their own administration. While there is much that could be done in the colonial field, in such matters as the open door for commerce, facilities for investment, the extension and revision of the mandate system, as part of an all-round peace settlement, the roots of the problem do not lie in Africa. Economically, countries like the Argentine and the self-governing Dominions and India, with tariffs and currencies of their own, have always been more important "colonies" for Great Britain than the crown colonies proper. The question raised by Sir Samuel Hoare in his Geneva speech of September last, whether countries without adequate natural resources in their own territories or in colonies they control cannot be enabled to buy foodstuffs or raw materials by exchanging them for

* It is interesting to note the list of German claims set out in an apparently inspired article in the *Frankfurter Zeitung* of February 4. Now that the reparations and military clauses of the Versailles treaty are ended, states the article, Germany's main revisionist aims concern : (1) the internationalised German waterways; (2) the distress in Memel and Danzig; (3) the one-sided regulations of the Rhineland demilitarised zone; (4) the former German colonies; (5) revision of the League Covenant by disconnecting it from the Versailles treaty itself.

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their own manufactures, is, perhaps, the aspect of the colonial problem that has most bearing on the problem under discussion. Territorial changes are the most difficult to agree upon and certainly cannot be considered until the fear of war has been lessened by a slackening of economic tension in some other way. An article on some aspects of the raw materials question appears elsewhere in this review.*

The heart of our present discontents lies in the pressures of unrestrained economic nationalism, set loose on the world by the policy of universal political self-determination, without free trade, upon which, under Anglo-Saxon influence, the Paris settlement was based. Either the nations can relax that nationalism, and once more make possible the adjustment of supply and demand, the world development by trade, investment and migration, that are essential to the continuance of democracy, to the peaceful survival of individual enterprise as the basis of our economic system, and to the avoidance of war and the success of the League. Or they can shut their eyes to the inevitable consequences of an entirely self-centred economic policy, and stumble blindly towards a new abyss of fascism, communism and war.

* See below, p. 306.

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EDITOR'S NOTE.—*At our request, a distinguished French publicist has written for THE ROUND TABLE this analysis of French opinion on the Italo-Abyssinian conflict and its repercussions. The article is a free translation from the original French.*

THE Italo-Abyssinian conflict is a matter of profound concern to French opinion, both in itself and on account of its international repercussions. Some of its various reactions have provoked a certain amount of surprise, particularly in Great Britain. Considerations of internal politics, questions of principle, of personalities and of political groups have been superimposed upon the issues of foreign policy, and a section of the press has not always managed to keep its head. Abroad, the general conclusion has been that French opinion is deeply divided on the Abyssinian problem. But the differences have actually been more on the surface than real. It is safe to say that in this business, contrary to all seeming, French opinion is extraordinarily united. As always, however, a distinction must be drawn between Paris and the provinces, between what is said and written in the capital and what remains unspoken and unwritten in the rest of the country. If a foreigner is to understand France he must always beware of Paris. Paris is a huge city, emotional, captious, always ready for a quarrel, yet always ready to forget, distracted by currents of passion of all kinds. But it is not Paris that leads French politics; still less does it represent the opinion of the country.

If you wish to plumb this French opinion, and really to

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know what is going on in the minds of the 40 million people who make up this nation, take the train from any station you please in Paris. Travel for an hour or two, or 15 hours if you like, for the distance matters little. As soon as you have put some 50 kilometres behind you, you will be in provincial France. North, south, east or west, on certain fundamental points the reactions of the provinces are identical. Leave your train at the first station that takes your fancy. Follow the street leading to the main square of the town. Sit down in one of those cosy, quiet cafés to which, when the day's work is over, come the public officials, the business men, the retired people, all that world of *petits bourgeois* which forms the real core of this country, to meet together and discuss the affairs of the day. Get into conversation with them. Plainly some are supporters of the Right, others of the Left, and on certain subjects you will find them vigorously opposed—yet even there more in theory than in practice. But if the talk is of French foreign policy, and particularly of the Italo-Abyssinian conflict, you will be surprised at the extent to which their minds are working on the same lines.

I. FRENCH OPINION AND ITALIAN AGGRESSION

AMONG 40 million French people, you could scarcely find more than a few thousand ready to applaud Mussolini for having preferred violence to negotiation, and for having embarked on this military escapade simply for the pleasure of making war, when he had been offered, in August at Paris and in September at Geneva, a diplomatic settlement that would have allowed him to achieve, with a little patience and dexterity, his essential aims in Abyssinia. To the typical Frenchman, this military expedition in the grand style appears dangerous, costly, and incapable of adding anything to the military glory of Italy, since the opposing forces are so unequal. Hence he regards the Duce's breach of the Covenant of the League of Nations

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as inexcusable. It is not that the Frenchman reposes an unrestricted confidence in the League of Nations. He knows too well its defects, its shortcomings, its weaknesses. He recognises that the absence of the United States, of Japan, and of Germany makes the Geneva structure exceedingly fragile. Nevertheless, the ideas behind the League of Nations, the principles on which it is built, correspond exactly to the Frenchman's conception of international affairs and of world peace. He views with misgiving anything that might add to its weaknesses. Mussolini's breach of the Covenant is bound, therefore, to appear to him in a sinister light.

The French, moreover, have had a long colonial experience, and are well aware that a forward colonial policy demands above all patience, adroitness, and time. They have never been believers in colonial conquest pure and simple. They have put Marshal Lyautey on a pedestal—Marshal Lyautey, who refused the very title of conqueror and whose methods of pacification were the reverse of those that Mussolini has chosen. From the first, the typical Frenchman has therefore considered that Italy was committing a colossal technical error in tackling the Abyssinian problem as she did. France would never have behaved in that way. Her colonial policy has always been to court the central government, with the aim of becoming its secular arm and of gradually pacifying the resisting elements in the name of this central government, like oil spreading over the water. But to declare war on the central government, to transport an army of 300,000 men, and to stake one's all upon an adventure that must succeed or fail in a few months, seemed to the French people one vast mistake. Hence they have regarded the Abyssinian expedition with a suspicious eye, all the more in that it might have serious repercussions in north and west Africa.

For all these reasons our typical Frenchman hoped up to the last moment that it would be possible to find an amicable settlement for the Italo-Abyssinian problem.

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This hope having been dashed, and Italy having chosen otherwise, he became definitely of the opinion that the Covenant of the League must be brought into play, that Italy's act of aggression on October 3 must be recognised for what it was, and that Article 16 must automatically come into force as far as financial and commercial sanctions were concerned.

This same bourgeois Frenchman argues nevertheless that, if Mussolini made a grave mistake in pushing forward this colonial operation in the face of world opinion, it would be a still graver mistake, by a process of logic gone mad, to transform a conflict that is, after all, relatively unimportant into a general European outbreak. The chief anxiety of French opinion, once war had broken out in Abyssinia, was to keep a sense of proportion about these events, and to prevent a chimney on fire in the Geneva mansion from becoming a general conflagration. It cannot be too often repeated that France is essentially and profoundly peace-loving. She lost a million and a half of the finest flower of her stock in the course of a four-years war that devastated ten departments. Such an experience leaves behind it for many years a horror of so barbarous and senseless a calamity. Hence the idea of a war against Italy, even if it involved only mere formal gestures, was repugnant to the French people. Nor could they be persuaded that it was sensible to make war as a demonstration against war.

On top of all this, France believes that Italy remains a powerful factor in the European situation. The problems of to-morrow will not arise only in eastern, but also in central Europe. We all have need of Italy as an insurance against the aggravation of these problems. It seemed to France an error of judgment to break up the indispensable union of Europe, in the shape in which it had been fashioned at Stresa, for the sake of an Abyssinian quarrel. For years Rome had adopted a violent anti-French attitude, which had greatly handicapped the organisation of European

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peace. It was an obstacle to the necessary settlement of the relations between the Succession States of the Austro-Hungarian empire. It was a powerful stimulus to the material and moral rearmament of Germany. Following certain developments, the Government at Rome modified its attitude, and a Franco-Italian *rapprochement* grew from 1934 onwards. It was crowned at Rome on January 7, 1935, by general and particular agreements that liquidated the past and opened up a new era in the relations between the two neighbouring Powers. France looked upon those agreements with a great deal of satisfaction. They rescued her from an anxiety about her Alpine frontier, which, although never grave, was quite disturbing enough, and above all they allowed her to co-operate with Italy in a policy of reconstruction and pacification in central Europe, a policy that forms one of the critical elements in the maintenance of general peace. Great Britain went far to encourage that *détente* and *entente*. And now, hardly six months after events so full of hope, a new tension threatened to arise between France and Italy, a tension that might even develop into a rupture of relations and into acts of war—an appalling prospect.

Another consideration has been equally powerful in persuading the French people to keep a necessary sense of proportion—a consideration that should be shared by British opinion. It is this. If it is important, indeed vital, that the Covenant of the League of Nations should be respected by all its members, then it would be foolish to push matters to the point where a great white Power would have to capitulate to an African country, of which it could not even be said that it formed a coherent nation, and which occupied but a lowly rank in the scale of civilisation.

France is a great colonial Power. She well knows what prestige must attach to the action of a great European country. Mussolini, it is true, has committed an unforgivable error in hurling himself into an ill-considered

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adventure and in thereby compromising the solidarity of the great white Powers; but when that has been admitted, it is essential to weigh the consequences carefully and to avoid making them worse. The French people hope that before it is too late a settlement can be found for this miserable Abyssinian affair, a settlement consistent at once with the authority of the League of Nations, the honour and responsibilities of Italy, and the rights that Abyssinia derives from her presence at Geneva. This is plainly something like squaring the circle. Indeed no solution could be fully satisfactory on the basis of so abstract an idea; the essential thing is to proceed as quickly as possible towards the main objective. French opinion regards the plan put forward at Paris by M. Laval and Sir Samuel Hoare as consistent with this policy. In French eyes, we had there the basis of an all-round settlement capable of fulfilling the three conditions mentioned above. For the rest, and in spite of what has happened since, the French people as a whole remain convinced that the final settlement that will be arranged sooner or later will not be very different from the principles that inspired the Paris plan.

II. GREAT BRITAIN AND ARTICLE 16

HOWEVER, the Frenchman-in-the-street realises that he is reproached, particularly in England, on some such lines as these: "My dear sir, after posing for years as the champion of collective security through the League of Nations, aren't you going to be more resolute in defence of your principles? Are you going to endorse a settlement of the Italo-Abyssinian conflict that puts a premium on violence? Have you then two policies, one for your German adversary, the other for the rest of the world? How would you have us conduct a collective policy, if at the very moment when it has to be applied you defend it with so little conviction, and if you

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give weight to arguments that smack more of the old pre-war diplomacy than of the new moral code, which ought, as you yourselves admit, to rule the world? Don't you see that you are aiming a fatal blow at the very policy with which European security is bound up, and that in consequence you are cutting down the branch on which you yourselves are sitting?"

The French are aware of these arguments. Nor do they underestimate their weight. Moreover, they fully agree that on no account must the collective system or the League of Nations be sacrificed to the Abyssinian affair, and it is for that very reason that they profoundly approved M. Laval's action in maintaining at Geneva the traditional policy of France, and in adopting economic sanctions against Italy. The French are even conscious of having done more, perhaps, than other countries in this respect. For it must not be forgotten that the south of France is next-door neighbour to Italy and that in this area there are many and intimate economic exchanges between the two countries. For this reason a whole section of French trade has been paralysed by the closing of the frontier, and hundreds of millions of francs have been lost by producers and merchants who certainly have no markets to spare. Whole regions are facing ruin at this moment for the principles of the League of Nations. So let no one criticise France for having adopted a platonic attitude. When this affair is over we shall make up our accounts, and we shall see which sanctionist country has suffered most from the application of Article 16.

But the Frenchman may be excused a certain cynicism when he is reproached by the latter-day enthusiasts for the League of Nations and Article 16; for he recalls that for fifteen years he himself has suffered a certain disillusionment precisely on this point. For example, the famous Geneva Protocol of 1924, which was designed to ensure mutual assistance of an obligatory kind under Article 16, was soon given decent burial—by Great Britain. He

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remembers, too, that in the Manchuria conflict, of all the great Powers represented at Geneva, Great Britain was certainly the one that showed itself least resolved to pursue an active policy in defence of the Covenant—or, if you will, the most firmly resolved to do nothing about it.

Without going so far back, is it conceivable that only six months ago France would have negotiated the Franco-Soviet Pact if Great Britain had then taken up in regard to Article 16 as clear a position as she has adopted since? Certainly not. France had at heart no desire to bind herself by a special agreement with Russia. But she was uneasy about European events. Germany, she felt, must be made to realise that the continental balance must be respected and that no adventures, under whatever disguise, could be tolerated in the east of Europe. The Franco-Soviet Pact was nothing more than the translation of Article 16 from the abstract into the concrete—in other words, an attempt to take that article seriously.

It is impossible not to draw the conclusion that British policy has followed a zigzag line, which perhaps justifies French policy in maintaining its *sangfroid*. For that matter, was not the ideal of a collective policy somewhat upset last June, when France woke up one day to find that Great Britain had concluded a separate naval pact with Germany? That action did nothing to reinforce collective policy, nor even the collective undertakings that had only just been solemnly signed at Stresa.

III. THE FUTURE OF THE LEAGUE

THE Frenchman-in-the-street is well aware of the dangers inherent in the international situation. He ardently desires a definite peaceful settlement of Franco-German relations; for, when all is said and done, the idea of a conflict with his eastern neighbour is entirely hateful to him. Unfortunately he is bound to take notice of suspicious and disquieting things that are going on in

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Germany. Why this feverish rearmament, which is transforming the country into a sort of enormous armed camp, when not a single Power is threatening Germany? Why this intense nationalist spirit instilled into the German youth? Why this insatiable and heady policy, which, while constantly reaffirming Germany's desire for understanding and peace, always retreats as soon as an appeal is made for her international co-operation? Without exaggerating the immediate danger the French feel that they have always to face a serious—perhaps before long a fearful—German problem. France knows that for her the League of Nations represents a guarantee of peace. She knows that it is upon the basis of the League that she can remain in perfect harmony with Great Britain, which she regards as the only true guarantee of European security.

Nevertheless, one thing strikes the Frenchman when he goes on to consider developments since the war. It is that, while on a number of occasions the League of Nations has rendered remarkable service to peace, so long as it was a question of solving European problems—Upper Silesia, Corfu, Greco-Bulgarian incidents, Hungarian-Jugoslav incidents, Danzig, Memel, the Saar, not to mention others—each time, on the contrary, that similar complications have arisen outside Europe the League of Nations has found itself impotent in trying to solve them, and that impotence has been most injurious to the League itself. This has held true in South America, in Manchuria, in Abyssinia. Do not these facts represent more than a coincidence? Ought we not to conclude that the League of Nations should be primarily an organisation among Europeans and that it is foolish to seek to impose it upon the whole world? On the morrow of the war, it seemed right to pour all the nations into the same stew without bothering about how well they were cooked. Abyssinia herself may be taken as an example; for clearly she has not yet reached a high enough stage of evolution to hold a normal place in the League. Equally clearly, all kinds

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of errors have been committed from time to time at Geneva. Nothing could be more natural. No good thing is forged save under the hammer of trial and error. But we must not remain the slaves of our previous mistakes.

In 1930 M. Briand, who may have had many faults but who will doubtless be recognised in due time as perhaps the most constructive figure of our age, suggested indeed that under the ægis of the League of Nations there should be set up a "European Commission", which would have served to strengthen the bonds of the League among the continental States. Doubtless this proposal was premature; for it was greeted in every quarter with objections and refusals. Nevertheless, we shall have to come back to that more modest but at the same time more sensible conception of security and peace. The Frenchman believes that what matters above all is to afford Europe more cohesion, more solidarity. The Stresa policy well served that ideal. France therefore ardently hopes that the Italo-Abyssinian conflict will not develop in such a way as to compromise the Stresa policy irretrievably for the future of Europe. Even higher than the Stresa policy, however, Frenchmen value firm Anglo-French co-operation. They know, indeed, that that is the primary condition both of the Stresa policy and of all European policy—in a word, of peace itself.

IV. SHIPS, AEROPLANES, AND MEN

LET us therefore turn once more to the problem in hand with the idea of dispelling, if possible, the misunderstandings to which it has given rise. Apart from the general outlook on the Italo-Abyssinian conflict, a special Anglo-French misunderstanding has momentarily arisen. Why? Let us face the subject frankly. In the speeches of British statesmen in the House of Commons on December 19, one idea constantly reappeared. Sir Samuel Hoare, Sir Austen Chamberlain and Mr. Baldwin alike laid

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emphasis on the fact that Great Britain had been alone in taking military precautions. Here is the British argument. "The Royal Navy has been concentrated in the Mediterranean; reinforcements have been sent to Egypt, to Malta and to Aden. Yet no other country has moved a ship, an aeroplane or a man. (Cheers from the Government benches.) There must be more than general professions of faith in the League of Nations—not because we, the British Empire, are afraid of an Italian attack, but because, without such active co-operation, collective security is impossible, and the League of Nations will dissolve. (Fresh Government cheers.)"

In that argument lies the heart of the present Franco-British misconception. With the best of good will there has been on both sides a misunderstanding, which must be cleared up at whatever cost. In the middle of September Great Britain sent certain ships into the Mediterranean, and she appears to reproach other countries—that is to say, France—for not having taken similar measures. "We at least have backed the policy of collective security at some cost and risk to ourselves." British opinion draws the conclusion that Great Britain has been the only Power to act correctly in defence of the Covenant, and that France, hypnotised by her recent friendship with Italy and in contradiction of her own principles and her own past history, is to blame for having adopted a negative attitude. But this way of looking at things does not conform with realities.

The presence of British naval forces could have been fully justified if—once Italy had committed her breach of the Covenant—it had been agreed at Geneva that Article 16 must be fully enforced and that sanctions of a military character were to be applied against the aggressor. But in the middle of September the breach of the Covenant had not yet taken place. It was still possible to hope that Rome would agree to negotiate on the basis of the proposals of the Committee of Five. All the Italian experts who were

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at Geneva, not to mention others, favoured such a settlement of the conflict. It is known, moreover, that at the Fascist Grand Council in March the Duce alone expressed himself in favour of military intervention in Abyssinia. Thus right up to the last moment it was possible to hope that Mussolini would fall in with the advice of all his colleagues, of all his technical experts, of all his friends. In any case, so long as no act of war had been committed, no breach of the Covenant could be regarded as having taken place, nor in consequence could any military measures be taken. That is the first fact.

The second fact is this. After the outbreak, it was decided with one accord that military sanctions should not be applied against Italy, and that only financial and commercial sanctions, such as must automatically follow an act of aggression, would be put into force. Not even to-day does the British Government envisage the application of military sanctions. Then why should the members of the League of Nations have sent "ships, aeroplanes, and men" into the Mediterranean area? Either "ships, aeroplanes, and men" were to be sent into the Mediterranean in order to oppose the Abyssinian expedition by force, in the name of the Covenant; and in that case such a demonstration—for which there would certainly have been a legitimate excuse—ought to have been carried out collectively as the outcome of a decision taken jointly at Geneva. Or, as the only alternative, pressure was to be brought on Italy by the financial and commercial means indicated in the Covenant, but without using military measures; and in that case there was no reason for mobilising "ships, aeroplanes, and men".

Yet, in the middle of September, Great Britain, on her own responsibility, sent the Home Fleet into the Mediterranean. She had, indeed, a perfectly legitimate reason—legitimate not only from her individual point of view, but from the collective point of view also, since any threat of war against a State member should be opposed by all the

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States bound by the Covenant. The Government at Rome, not content with attacking Abyssinia, beyond all question threatened Great Britain. From the end of August onwards, vast camps, intended to house whole divisions of troops, were surreptitiously prepared in Libya, on the borders of Egypt. An anti-British agitation, which has gone on increasing ever since, started at the same time within Egypt itself. On September 10, the first detachments of three Italian divisions disembarked in Tripoli en route for these camps. It was at the moment when the vessels transporting these troops left Italy for ports in Tripoli and Cyrenaica that the Home Fleet received the order to move. By that time the Italian threat against Egypt was plain, and it was natural that Great Britain should take elementary precautions against it. No other country would have acted differently. But the Government in London ought to have told the world honestly what it was doing.

The League of Nations and international opinion ought to have been warned. The suspicious developments in Libya ought to have been denounced, and they ought simultaneously to have been brought within the scope of collective security; for Italy's unprovoked preparations jeopardised the security of Egypt, and Great Britain guarantees the military protection of that country. No one knew what was going on. Learning all of a sudden that the Home Fleet was passing through Gibraltar, the average Frenchman simply interpreted this sensational fact as a sort of veto placed by Great Britain upon Italian ambitions in Abyssinia, which seemed to him a threatening gesture, selfish, excessive, disproportionate. If he had been wise to the fact that the Italian Government, by presenting a threat not only to Abyssinia, but also to Egypt, that is to say, to Great Britain, was courting the risk of a general war, he would surely have judged Mussolini's action very differently. But the Frenchman knew nothing of this—and how should he have known, when Great Britain herself, instead of explaining what was happening,

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went on denying that she had any sort of personal grievance against Italy, and reiterated that the only conflict at issue was that between Italy and Abyssinia? It is precisely because Great Britain's uneasiness and her precautions were well founded, and were moreover founded on the collective system (since any threat to a State member must be regarded by the others as a threat to themselves), that Great Britain should have explained to the League of Nations, when she moved her "ships, her aeroplanes and her men", why she was moving them, and should have demanded the taking of similar measures collectively.

The moral of this affair is that collective action is very difficult to apply, and all the more difficult in that it is still only in the experimental stage. This experience proves that such a policy must be based on complete candour and precision. Indeed are not those the cardinal virtues of all foreign policy?

V. CONCLUSION

THAT, as we see it, is the position of the mass of French opinion about the Italo-Abyssinian conflict and its repercussions. The reader may rejoin: "But when we read the French press and the speeches of your politicians in the Chamber of Deputies, we get the impression that you have blinked the difficulties of the problem and that French opinion is extremely divided." Pay no attention to the hot air of Paris. It is all on the surface, and is bound up with questions of personalities and cliques, or with complicated issues of internal policy, rather than with considerations of foreign policy pure and simple. Make sure of one thing: it matters little in the end whether M. Laval or somebody else presides at the Quai d'Orsay—call him X or Z, take him from the ranks of the Left or of the Right. They will all pursue the same policy. Men and parties are as nothing in face of what has been for centuries, and will remain for centuries to come, the conservative instinct of a great nation.

THE END OF THE WASHINGTON TREATIES

I. AFTER THE LONDON CONFERENCE

WHEN Japan withdrew from the London Naval Conference in January she did no less than was expected, yet her act took many by surprise. Every instructed observer knew that her sense of prestige was deeply involved in the demand for parity in naval strength with Great Britain and the United States, and that it would be difficult, if not impossible, for her negotiators to return to Tokyo with that demand unsatisfied. None the less, there seemed to be a possibility that, when confronted with the responsibility of bringing the Conference to nought and when faced with the ensuing risks of a thus emphasised isolation, the Japanese Government would find a way to circumvent a crisis. And during the days that immediately preceded the final decision to withdraw, it was clear that Tokyo was perplexed, not to say torn in two, in a struggle between the navy's short-sighted insistence upon its right to be treated as an equal by the British and American Admiralties and the wiser prudence of certain statesmen who knew that in the *status quo*, even of the Washington and London naval treaties, Japan clearly enjoyed something more valuable than mere parity, and that it was folly to increase Anglo-American suspicions by insisting on the "common upper limit". But the navy had their way, and revealed Japan once more still in the grip of "the iron infantility of the military mind".

The treaties of 1922 and 1930 gave Japan complete security in her own waters; indeed, when read in the light of the naval obligations of the British Empire and America,

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they gave her so much more than security that it is hardly an exaggeration to say that from Hong Kong to the Arctic Ocean she has enjoyed a free hand for fourteen years. As long as these treaties remained valid, the Japanese Admiralty, striking a balance between the meagre disadvantages of an inferior ratio in naval tonnage and the preponderating advantage of freedom from overseas menace, conferred by the Anglo-American pledge not to fortify any naval base within striking distance of Japan, could guarantee Japan herself from invasion and offer the Japanese army an undisputed field of operations in north-east Asia. If Japan had left the parity question alone, she might possibly have gained a valuable advantage in an agreement of a qualitative kind—limiting the size, and therefore the range and armament, of ships—which would still further have strengthened her position in the western Pacific behind the non-fortification clauses of the treaties. Moreover, along this line of diplomacy she had some hope of separating the two English-speaking peoples, and thus of allaying one of her alleged fears, whereas her recent tactics have brought them nearer together than they have been for some years past. Thus Japan has clarified the problem of the Far East by an undisguised revelation of the aims of her naval and military staffs, and has given the English-speaking peoples on both sides of the Atlantic a powerful reason for reviewing the situation thus created.

There is cause for apprehension on all sides. In the long run Japan courts the greater risk, for her present line of action, in London, in Nanking, and on the Manchurian frontier, alienates all and conciliates none. Her military rulers of to-day seem bent on putting to the test the whole destiny of expansion foretold for her in the notorious, though almost certainly spurious, Tanaka Memorial, and the ease with which the recent steps of her progress in north-east Asia have been won seems to encourage in them the belief that she can proceed to the limit of her dreams without encountering resistance or inviting disaster. No

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doubt, in the way the world's scene is set to-day, her star is in the ascendant and the immediate risk she runs is small, but the setting of the world's scene will change, and some of the now quiescent actors, as they move to take a more active part in the future in the Far East, will not forget the provocation that Japan now offers them with impunity. It may be said, and with truth, that the Japanese are only following the example of other imperial nations in their former campaigns of expansion. It may also be said that they merely seek to create an economic *bloc*, controlled by their own power, in a world where economic nationalism denies them free access to other markets and other sources of supply. But the first of these pleas is but a plea in extenuation; and the second is founded on the delusion that the Manchukuo-Japan *bloc*, even with half of China added to it, can serve the ultimate needs of Japanese productive industry at home.

Thus for those Japanese who can see beyond the easy conquests of the moment there is reason for growing disquiet; and it must surely be the aim of the civil leaders of the country (even in this moment of their impotence) to do what they can to restrain their headstrong military masters, so that, when the civil power is restored to real authority once more, the situation of Japan shall not be as desperate as it threatens some day to become. One gallant veteran among these civil leaders, Mr. Korekiyo Takahashi, has done his best to warn his country of the financial risks involved in a policy that diverts nearly 50 per cent. of the total national expenditure to the cost of Japanese armaments and entails a heavy increase to the national debt for the fifth year in succession. But his is but one voice—no doubt cogent in its plea—crying in a wilderness, and all other voices are silenced by press control and by the simple expedient of a premature dissolution of the Diet.

In present circumstances, however, the Japanese people will not be influenced by any foreign comment, even if

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they were allowed to hear it. Their own experience alone will have such influence; and the reason for growing apprehension in other countries is to be found in the doubt whether experience will show Japan the inexorable limits of her present policy before it is too late. Not long ago one of the highest officers of the Japanese Government, when asked why Japan should take the risk of incurring (in different measure perhaps) the displeasure and eventual hostility of her three great Pacific neighbours, Russia, the United States and Great Britain, merely shrugged his shoulders and replied, "Here we stand, and can do no other". This fatalism seems to paralyse the mind and to immobilise the forces of civilian and reasonable opinion, while it displays itself in military circles as a sense of divine destiny. It is high time to ask whither that destiny may lead Japan and what problems it holds in store for the other Powers.

II. JAPAN AND THE WORLD POWER SYSTEM

THERE was a time when the politics of the Far East were governed by the principle of the balance of power, and less than a generation ago the Chinese question was considered only as a minor aspect of the armed equilibrium in Europe. When Lord Salisbury, thirty-eight years ago, took the lease of Wei Hai Wei, all he saw was a momentary picture of the European diplomatic problem thrown on a Chinese screen. And while one of the British motives of the subsequent Anglo-Japanese alliance was to take out a new insurance policy for the British Empire in the East, another and perhaps more important motive was to localise in the Far East the then threatening conflict between Russia and Japan in Korea and Manchuria, and thus to prevent a Russo-Japanese war from breaking the peace of Europe. Hence the alliance served a valuable twofold purpose; and in the Great War it was a strong buttress to the Allied cause. Let us note, also, that it

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performed a unique service to Japan in the critical period of her rise to power. And if the factors in world politics had remained the same after the war as they were before, there would have been strong reasons for renewing the alliance in 1922. As long as the balance of power oscillated upon a fulcrum in Europe, with none but European weights in the scale, it was both possible and wise for the British Empire (being both a European and an extra-European Power) to serve the whole interest of the Commonwealth of British nations by bringing the Japanese weight to its own side of the scale.

But, in the thirty-four years that have since elapsed, and particularly in the past seventeen, the historic equilibrium has changed, not only by a redistribution of the factors formerly composing it, but also by the appearance of a new factor—namely, the United States of America. The pre-war balance was essentially European; the post-war balance is world-wide, and is still, moreover, confusedly in the making. Finally, a new type of international relation was introduced by the Covenant of the League, which was conceived, ideally, as superseding the balance of power by the doctrine of collective security.

Now, the first attempt to treat the problems of the post-war period in the Far East was made under the influence of this collective principle. The Four-Power, Nine-Power and naval limitation treaties were the foundation of a system designed to equip the Pacific Powers with instruments of reform and pacification and to operate as the predestined substitute for the "politics of power". It is true that, both in 1922 and in the earlier discussions of the scope of the new consortium, Japan had tried to persuade her co-signatories to recognise her "special interests" in continental Asia, and may thus be said to have warned them that she could only accept collective responsibility with reservations. But, both at the time of the Washington Conference and for at least six years thereafter, Japan acted in a manner that indicated, not only that she was

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prepared to honour her signature, but also that she interpreted the functions of the Washington treaties in much the same light as did Mr. Stimson when he declared that they were integral parts of one coherent whole. It will be remembered that, as American Secretary of State, Mr. Stimson said that America had consented to relinquish "her commanding lead in battleship construction" only because she believed that the Four-Power and Nine-Power treaties offered a satisfactory alternative to the appeal to force in the politics of the western Pacific Ocean. Thus it may be said that the English-speaking Powers believed they were paving the way for the inauguration of peaceful collective responsibility by limiting their sea power, whereas the new controllers of Japanese policy to-day retort that, when Great Britain and America undertook to refrain from fortifying their naval stations in the Far East, they were merely demonstrating the fact that to them the Far East was not a major sphere of interest in which they could be expected to pursue an active policy, either with or against Japan.

The net result of the whole proceeding is that the naval limitation treaty no longer operates west of San Francisco, that the Nine-Power treaty has failed of its true object in assisting China, and that the Four-Power treaty is still intact, mainly because Japan does not choose to challenge it. Whether the time will ever come when she will challenge it seems to depend on three things: first, upon the course of action that America decides to take during the next ten years in the Philippines, which will enjoy "independence" in 1945; second, upon the extent to which Japan succeeds, or fails, to satisfy her real needs in north-east Asia; and third, upon whether in the course of her continental policy in the latter region she comes into conflict with Russia. The key here is in the second element, with which the third is closely linked, and the first is more closely related with them both than the Congress that enacted the Philippine Act of Independence

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seemed to realise. And all of them will ultimately raise questions for the British Empire which its members will do well to face now.

We shall here assume that of the three objects of her present policy Japan will attain two, and fail in the third. These objects are dynastic, strategic, and economic. The word dynastic is here used to describe the endeavour to restore the Kingly Way of Government in Asia, by driving out republicanism, democracy and communism, not only from Japan but also from every region in eastern continental Asia that she can control or influence. This motive, growing powerful with the renaissance of Old Japan under the leadership of the army, has put Kang Te upon the throne of his forefathers in Manchuria and will carry *Kodo* (the monarchical principle) further yet. It may be said to have won no little success already. The strategic motive also is well on the way to satisfaction; but if the military party push their present advantage to the point where Russia must retaliate, in order to protect her Siberian interests, Japan may run into serious danger. But assuming she does not, the third object remains in her economic needs.

And here it is reasonably plain that the hope of self-sufficiency within the Japan-Manchukuo-China *bloc* cannot be realised. In a word, Japan cannot complete her destiny in "East Asia", but must turn elsewhere: and both her temper and the character of her policy when she does so turn will depend on the nature of the opportunities then open to her. If the military party is still in control at that moment in the future, and if, meanwhile, America should interpret the independence of the Philippines as her own evacuation of the Far East, the policy that won Manchukuo will be repeated and the Philippine Islands will be swept into the orbit of Japan. If, on the other hand, the moment when Japan realises the economic inadequacy of her present continental policy happens to coincide with the adoption by other Powers of a more liberal economic policy, there might be some hope of a

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decline of militarism and a return to more sober courses in Japan itself. Thus the opportunities that may be open to Japan in the next few years are, or may be, of very different kinds, but the factors that will prove decisive in the making of these opportunities are at present uncertain. It may be that, owing to American policy in the Philippine Islands, providence is preparing another easy conquest for the Japanese, which will feed the appetite for expansion, and justify aggression by success. In either case the defence of the existing interests of the British Commonwealth is deeply involved; in the first, by a challenge that might provoke an appeal to arms, in the second by the plain necessity for a policy, not so much political as economic, of world-wide imperial scope, and not merely confined to, or emanating mainly from, the United Kingdom.

Both eventualities require consideration now. Let us take the more forbidding first. It would seem that war is fatally inherent in the policy and in the mood of Japan to-day. Men trained to war, and to war alone, are now at the helm, and for years past they have taught their people to believe that their destiny depends on the possession of power. In the last resort, therefore, the British Empire, as one of Japan's neighbours in the Far East, and throughout the Pacific Ocean, must reckon with the possibility that, finally, it may be involved in war in self-defence. There is, as we shall point out later in this argument, an alternative to this conflict; and, in reckoning all the factors in the problem as a whole, it seems likely that other Powers may be involved before the British Empire. Nevertheless, it is idle to ignore the fact that the threat of an eventual war does exist. At the present moment, and as long as Japan continues to pursue her continental course, the danger is one that concerns Russia more actively than either America or the British Commonwealth. Therefore, in the shorter view, Australia and New Zealand are justified in believing that Japan's present commitments in Manchuria and Mongolia give them relief

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from the risk of Japanese expansion, southward by sea, which might sever their communications with Europe and the home country and leave them at the mercy of Japan.

But the situation will change when Japan discovers that her economic expectations from her Manchurian-Mongolian policy cannot be realised; for then, whatever she may believe to be necessary for the strategic defence of her expanded frontiers facing the Soviet Union, she will be driven to divert her programme of territorial and economic expansion towards other goals, which will bring her across the path, first, of the United States (given one condition), and then of the British Empire. There is already in Japan an active propaganda, largely of naval inspiration, which points in this direction, and there is a growing belief that Philippine "independence" means that America intends to retire to her own eastern half of the Pacific Ocean. Frankly, this seems to us unlikely. America has for over a century taken a more active interest in the Far East than in any other part of the world except her own continent, and the truth about her present Asiatic policy is that it is full of contradictions, which will not be resolved for some ten years to come. In the last resort it is improbable that America will stand calmly aside and leave Japan free to make the western Pacific into her own *mare nostrum*, which for all other Powers would mean a *mare clausum*. But there is so much that is unpredictable in the American attitude that any realistic estimate of the future must include the possibility that America may not impose her veto on a Japanese advance from Formosa to Manila.

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FOR the British Empire, then, there are three possible situations to meet: first, a struggle between Russia and Japan in the north, which would relieve the threatened pressure on the oceanic interests of the overseas Empire and America; second, Japanese expansion towards Hong Kong, Manila and Singapore that encounters American

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resistance; third, the same expansion *not* encountering an American veto, which would bring Japan upon the exposed flank of British imperial communications from the Indian Ocean to the South Seas.

The first of these—assuming a Japanese victory, which is not by any means certain—would postpone Japanese expansion southwards for a considerable time, and might engage Japan so deeply in continental commitments in north-east Asia that she would be unable to pay much attention to anything else. What the consequences of a Russian victory would be for India we do not for the moment propose to enquire, but the consequences in the Far East would probably bring the whole Far Eastern question into closer connection with Europe than has been the case for many years.

The second eventuality would almost certainly find the British Empire supporting America in the determination to resist imperialist aggression outside the Asiatic mainland. If that be a true diagnosis, it is desirable that the English-speaking Powers should forestall the threatened conflict by showing Japan that, in the last resort and undeterred by differences of interest in other fields, they will be found standing together, and by showing her also that this co-operation is not designed to encircle her with iron bands to stifle her life, but solely as an insurance against an intolerable inroad on their vital interests. There is here a genuine basis of Anglo-American co-operation which does not exist in any other region; but since it does exist here, it is much to be hoped that the British and American Governments will take the occasion of the Naval Conference to proclaim their resolve to stand upon it.

The third situation is the most critical of all, and although it is not immediate it cannot be regarded as so improbable as to be ignored in a review of the Far Eastern and Pacific Ocean policy of the British Commonwealth. Nakedly stated, it presents the British nations with the possibility of a threat to the communications between them, if not to

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their very existence as partners in a common peaceful enterprise of economic growth and political development. Doubtless it would affect them unequally; and if it be admitted that the immediate threat must be felt first by the United Kingdom, Australia and New Zealand, with India, Burma and Malaya in danger, in the final resort every corner of the Empire must be involved.

It is believed in some influential quarters in Japan that the Empire cannot parry such a blow, nor strike back. This appears to us to be a dangerous delusion, fostered by the circumstances of the moment, in which Great Britain is mainly preoccupied with the European problems at her door, and by the reluctance of the British taxpayer to shoulder great financial burdens for the sake of imperial defence. The Admiralty is thus put into the position of saying that it cannot guarantee adequate power in three places at once: in the North Atlantic, in the Mediterranean and at Singapore. But we can hardly doubt that, by a combination of shrewd diplomacy and expenditure on naval armament, the British Empire (if summoned thereto by a real threat to its security) would and could make the required effort. We think it necessary to put the issue thus, not because we look upon it with equanimity or with anything but profound regret, but because foreign critics (especially among Japanese naval propagandists) are prone to repeat the crucial error of their German prototypes before the war and to assume that the British nations have become effete and are losing both the will and the power to survive. In a real and honourable sense the people of Great Britain and their partners in the Dominions are pacifists to-day, but we see no reason to suppose that they care so little for the new Commonwealth system they have created as to refuse the effort necessary for its maintenance.

Cold realism so far compels us to face these formidable prospects in terms of an eventual appeal to force. But in so presenting the case *THE ROUND TABLE* is not prophesying inevitable war. Rather is it attempting to foresee the

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ultimate fate of war, if certain conditions obtain in the future, and if, meanwhile, policy, of which war is but one expression, fails to deal with the developing situation and thus to forestall by adequate measures the resort to force. One of these measures is certainly the readiness for self-defence, within both the League-wide and the British collective systems. But a policy that rests solely on the determination to meet force with force is quite inadequate. Without exaggerating the importance of the economic factor in the Japanese problem, we are convinced that it plays a part in Japanese policy to-day that requires us to shape our policy to meet it. We have already attempted to show that Japanese continental expansion derives its real power from the generating station of two motives, the dynastic and the strategic, and that its economic aims can never be fully won. And if we acknowledge, as we probably must, that no bargain of the market place can possibly induce Japan to desist from her strategic-dynastic purpose in the north-east, we are probably justified in believing that, if and when she turns southward, the economic motive will be her chief excuse for aggression. We need pay little heed to the plea that Japan needs new homes overseas for her surplus people, because every serious student, both Japanese and foreign, knows that emigration on a large scale is not the solvent of her troubles. But when we review her position in its whole economic aspect we can see, and willingly, that there is truth in the well-known Japanese slogan, "Relief from pressure at home by expansion abroad."

Is it too much to say that in our hands, in the hands of the British Commonwealth and the United States, lies the future meaning of that word "expansion"? And if it is in our power to influence the Japanese interpretation of their own slogan, are we not bound to act on that assumption and thereby to insure both the Western Powers and Japan herself against the alternative of conflict? In our possession of many sources of vital supply, in our control

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of many important markets, both in the tropics and in the temperate zone, in our command of capital for investment, we hold a controlling influence over the whole situation in its economic aspects. Japan already knows the effect upon herself of tariffs, quotas and other restrictions upon trade. Merely to relieve her of that pressure, however, without genuine and compensatory advantages to the English-speaking Powers, and through them to many others, would be a short-sighted and pusillanimous policy. For the moment, no doubt, we may welcome the recent Canadian agreement with Japan, just as the Indian reciprocity agreement was a welcome temporary alleviation of tension; but it will be the part of wisdom for the British Commonwealth as a whole to evolve a policy that shall be neither a United Kingdom, nor a Canadian, nor an Australian, nor a crown colony policy, considered piecemeal, but a complete programme designed to serve both economic and political ends. We, as a Commonwealth, have much to offer to Japan; and we must surely be prepared to offer it, provided she will accept our conditions.

In what has been said above it is reasonably clear what our conditions are. In the political field, they ought to include a re-statement in moderate form of Japanese claims in eastern Asia, which shall recognise the not-immoderate rights of the Western Powers and pay respect to the spirit of Japan's own pledges towards China. In the economic field, they are comprised in the compendious phrase "equality of opportunity", which is perhaps the better way of expressing the former principle of the Open Door. And, following these, there must be an arms agreement, which is useless without a prior political understanding. In our view, none of these can be interpreted as a hampering restriction of Japanese rights. Nor do they imply any attempt to dictate Japanese policy. An agreement based upon them could in no way impair the preponderating advantages given to Japan in the Far East, while the resultant clearing of the stormy sky would be a boon to all.

EGYPT: THE BACKGROUND OF NEGOTIATION

I. THE DECLARATION OF 1922

ON February 28, 1922, the British protectorate over Egypt was terminated by a declaration that Egypt was an independent sovereign State. The British Government qualified its declaration by "absolutely reserving" to itself, pending conclusion of agreements with the Egyptian Government, the following matters:

- (a) The security of the communications of the British Empire in Egypt;
- (b) The defence of Egypt against all foreign aggression or interference, direct or indirect;
- (c) The protection of foreign interests in Egypt and the protection of minorities;
- (d) The Sudan.

Until a treaty could be concluded between the two Governments, the *status quo* in all these matters was to remain intact.

The 1922 declaration was little relished by anyone in Egypt. The majority of British officials and foreign residents regarded it as a premature abandonment of the task undertaken by Great Britain in 1882. Egyptian politicians declared that the British protectorate over their country had been made permanent. It was freely prophesied that the declaration would prove to be only a phase and would speedily be followed either by reversion to stricter British control or else by the grant of more effective independence than seemed possible under the 1922 instrument. These expectations have not been realised. The 1922 declaration has continued during fourteen years to

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be the basis of British policy in Egypt. The history of Egyptian politics since 1922 is largely the story of attempts to reconcile sovereign independence with the formidable and elastic reservations attached to the 1922 grant.

One of the first needs of an independent Egypt was a constitution, and a commission of thirty members, a not very representative body, set to work to draft a charter. It leaked out that the constitution was to describe the Egyptian sovereign as "King of Egypt and the Sudan," which would have been tantamount to denouncing the Anglo-Egyptian condominium in the Sudan. As that country's affairs had been definitely excluded in the 1922 declaration of Egypt's independence, the British Government informed the Prime Minister, Mohamed Tewfik Nessim Pasha, that the intended reference to King Fuad's sovereignty over the Sudan could not be accepted. Nessim Pasha resigned; and under his successor, Yehia Pasha Ibrahim, the challenging reference was dropped from the constitution, which was promulgated on April 19, 1923. It proved to be almost a slavish copy of the Belgian constitution, with little regard to the history, customs, laws, organisation and needs of the Egyptian people. The Senate was to be constituted, as to two-fifths of its members, by royal nomination. Three-fifths were to be elected, election being in three stages, each elected senator representing a constituency of 180,000 inhabitants. The Chamber of Deputies was to be elected by a two-stage system, groups of 30 voters choosing an elector-delegate; and the country would be divided into constituencies with 60,000 inhabitants in each. On the basis of the latest census at that time, there would be 118 senators and 214 deputies.

While foreign observers considered the constitution dangerously advanced for a country in Egypt's stage of political evolution, the Egyptian nationalists expressed an opposite view. Saad Zaghloul Pasha returned late in 1923 from exile at Gibraltar to resume the presidency of

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the Wafd,* which at that time included almost all politically active elements in the country; one of his first declarations was a hearty condemnation of the 1923 constitution, which, he affirmed, prevented expression of the people's will and made modification of its own provisions almost impossible. Zaghloul Pasha's criticisms of the constitution and the electoral law—which he considered archaic—were tempered somewhat by the fact that the first elections for the Egyptian Parliament, concluded in January 1924, gave his party, the Wafd, 190 seats out of 214. Yehia Pasha Ibrahim's Government resigned, and Zaghloul Pasha accepted King Fuad's invitation to form a Ministry.

The first Egyptian Parliament assembled on March 15, 1924. Almost immediately relations between the British and Egyptian Governments began to be uneasy. Zaghloul Pasha never accepted the 1922 declaration as a definition of the Anglo-Egyptian position, and his Government made continual attempts to deal with domestic affairs in ways which, in the British Government's view, encroached on the subjects that the British Government had "absolutely reserved" to its own discretion. The British Government hoped that the treaty anticipated in the declaration might be concluded at an early date, and as Zaghloul Pasha was the only Egyptian politician with whom at that time negotiations could be contemplated, Lord Allenby's first reminders to Zaghloul Pasha of the British Government's position were framed in conciliatory terms. But occasions for the Residency in Cairo to recall to the Wafdist Government the facts of the situation became increasingly frequent and concerned matters of greater and greater importance. The Egyptian Government proposed to take various steps, such as striking out the annual subvention to the army of occupation in Egypt, and refusing to continue service of the Ottoman Loans secured upon the Egyptian tribute, which were palpably inconsistent with continuance of the *status quo* laid down in the 1922 declaration. In spite of

* "Wafd" is an Arabic word meaning delegation.

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the increasing difficulty of maintaining friendly relations between the two governments, Zaghoul Pasha was pressed to go to England to negotiate a treaty and left Egypt in July 1924. Very brief discussions with Mr. Ramsay MacDonald showed that Zaghoul Pasha's idea of a treaty was simply that Great Britain should abandon all control, interest or influence in Egypt, without any concession by Egypt in return. Zaghoul Pasha returned to Egypt, and very soon afterwards the Sirdar (Commander-in-Chief) of the Egyptian Army and Governor-General of the Sudan, Major-General Sir Lee Stack, was murdered in Cairo. A British ultimatum was speedily followed by the resignation of Zaghoul Pasha, and Ahmed Ziwar Pasha formed a Government.

New elections were held, the Wafd secured a small majority, and Ziwar Pasha submitted his Government's resignation, which the King refused to accept, decreeing, instead, the dissolution of Parliament, on March 24, 1925. That year saw the emergence of a new feature in Egyptian politics. Hassan Nashaat Pasha, a young official in the palace, had become King Fuad's confidential adviser and had persuaded His Majesty to foster the creation of a palace party. Called the Ittihad (Unionists), this party first achieved effective existence when some of its members were included in Ziwar Pasha's Cabinet. In the summer of 1925, when Ziwar Pasha was absent on holiday in Europe, a quarrel occurred between the Ittihad Ministers and their Cabinet colleagues. Exploited by Nashaat Pasha, this dispute led to the resignation of the non-Ittihadist Ministers, with the result that the Cabinet became nothing but a group of palace servants. Without any popular support, this Ministry prepared a new electoral law, very reactionary in its provisions and considered by the country as violating the spirit of the constitution. At this stage Lord Lloyd arrived in Egypt, and after taking stock of the situation he advised King Fuad to find another post for Nashaat Pasha, who was sent as Minister to Madrid. The first experiment

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in imposing palace rule on constitutional Egypt had ended.

Elections in May 1926 gave the Wafdists 150 seats out of 214. A Ministry was formed under Adly Yeghen Pasha, Zaghloul Pasha contenting himself with the Presidency of the Chamber of Deputies. In the following year, when Abdel Khalek Sarwat Pasha had succeeded Adly Yeghen Pasha, there occurred an acute political crisis over the Egyptian army. The Egyptian Government were proposing to increase the army's size and modernise its equipment, while simultaneously decreasing the powers of the British Inspector General. Lord Lloyd believed that it was intended to make the army an instrument of the Wafd's policy, possibly eventually to bring about a dynastic revolution. The dispute, like so many other Anglo-Egyptian differences since 1922, revolved round the question whether the army came under the reservations of the 1922 declaration. Lord Lloyd was emphatically of the opinion that it did: the Egyptian Cabinet was equally positive that it did not. After a long period of tension the matter was settled in accordance with Lord Lloyd's view.

In 1927 Zaghloul Pasha died and was succeeded as President of the Wafd by Mustapha Nahas Pasha. In the summer of 1927 Sarwat Pasha was in London and began negotiations with Sir Austen Chamberlain, which were continued in the winter of 1927-28 with Lord Lloyd in Cairo. In February 1928 a draft treaty was ready and Sarwat Pasha asked Nahas Pasha whether the proposals would have the support of the Wafd. Nahas Pasha refused any form of settlement conceding Great Britain the right to maintain a garrison in Egypt, so the treaty proposals were automatically killed. Sarwat Pasha resigned and Nahas Pasha succeeded him on March 15, 1928. In the following June King Fuad summarily dismissed Nahas Pasha from the Premiership. Mohamed Mahmoud Pasha took office, suspended the constitution and ruled practically as a dictator

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until late in 1929. In that year he visited London, had conversations with the Secretary of State for Foreign Affairs, Mr. Arthur Henderson, and returned to Egypt with proposals for a treaty. The British Government had insisted that the proposals should be submitted to the Egyptian Parliament. When Mahmoud Pasha had taken office he had said that Egypt needed at least three years' rest from the political turmoil that seemed inseparable from parliamentary government under the 1923 constitution. Since barely half that time had expired, and he was far from confident of success in an appeal to the electorate, he resigned. An interim Government was formed under Adly Yeghen Pasha, elections were held, the Wafd secured a majority of 175 in the Chamber of Deputies, and Mustapha Nahas Pasha formed his second Ministry.

The declared policy of the new Government was to conclude a treaty with Great Britain and after that to reform the country's administration in accordance with Wafdist policy. This was and is to increase the power of the legislature at the expense of the royal prerogative and to imbue the civil service with Wafdist ideas. It would be an exaggeration to say that the Wafd have yet gone as far as the fascists in Italy or the nazis in Germany in believing that a civil servant cannot properly perform his duties unless he is an enthusiastic believer in the aims and policies of the dominant political party. But they have travelled far along that road, and whenever they have held office they have wasted no time in filling key positions in the administration with devoted followers. This process was being applied in 1930, when Nahas Pasha left Egypt at the head of a delegation to negotiate with the British Government.

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AFTER lengthy discussions with Mr. Henderson, a draft treaty was on the point of being signed when—for reasons never satisfactorily explained, and differently

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understood in Egypt and in Great Britain—negotiations were suddenly broken off and the draft treaty shelved. As the present political movement in Egypt is based largely on a demand for immediate signature of the 1930 draft treaty, its principal provisions may be summarised. They were :

1. Termination of British military occupation of Egypt.
2. Egypt to join the League of Nations.
3. The Egyptian Government to assume entire responsibility for lives and property of foreigners in Egypt.
4. An alliance to be concluded between the two Governments.
5. Mutual assistance should either country be involved in war.
6. Differences regarding the execution of the treaty, which could not be settled by direct negotiation, to be dealt with in accordance with the Covenant of the League of Nations.
7. Great Britain to persuade Powers possessing capitulatory rights in Egypt to agree to the transference to the Mixed Tribunals of the jurisdiction of Consular Courts, and to the application of Egyptian law to foreigners.
8. British forces up to a total of 11,000 to be stationed in the neighbourhood of Ismailia on the Suez Canal. This clause to be reconsidered at the end of twenty years.

Back in Egypt without a treaty, but, as Nahas Pasha claimed, "having gained the friendship of the British," the Wafdist Prime Minister set about achieving his party's aims in domestic politics, notably bringing the administration into what he considered a proper relation with the Wafd and its policy. This soon led to friction with the palace, and in June 1930 Nahas Pasha decided on a trial of strength. He demanded that King Fuad should approve a law providing for the trial of Ministers accused of acting unconstitutionally. When the King refused, Nahas Pasha resigned. There is good reason for thinking that Nahas Pasha believed that his resignation would not be accepted; he thought the tendering of it would be sufficient to secure acceptance of his demands. If this was so, he had a surprise. King Fuad accepted the resignation and invited Ismail Sidky Pasha to form a Government.

Sidky Pasha had long been known as one of Egypt's

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ablest politicians and administrators, but his career had left doubts about his fundamental political beliefs. These doubts he quickly resolved. The 1923 constitution was abolished and in its place a constitution considerably increasing the royal prerogative was promulgated by decree. The indirect system of election to Parliament, embodied in the original electoral law but since abolished in favour of direct voting, was re-introduced, and a general election, boycotted by the Wafd, returned a Chamber of Deputies almost unanimous in support of the Government. Mahmoud Pasha had chastised the Wafd with whips; Sidky Pasha lashed them with scorpions. Until his health suddenly broke down, in January 1933, he held Egypt in a grip of iron. Whenever and wherever his opponents raised their heads he struck out mercilessly. But the failure of his health forced him to Europe. While he was away intrigue was busy. When he returned, there was nothing for him to do but resign. On September 21, 1933, he left office and was succeeded by his Minister of Foreign Affairs, Abdel Fattah Yehia Pasha.

This dilettante Prime Minister had never taken serious interest in politics. He readily surrendered control to a palace favourite who aspired to the succession vacant since Hassan Nashaat Pasha had been exiled to Madrid in 1925. Zaky el Ibrashi Pasha, administrator of King Fuad's private estates, had few qualifications for political leadership, but he had the King's confidence. For fourteen months he was the real ruler of Egypt, his wish being decisive in everything, down to minor administrative details. Inevitably, his eventual fate was the same as that of Nashaat Pasha. In April 1935, the High Commissioner, Sir Miles Lampson, advised King Fuad that it would be well if Ibrashi Pasha could be employed in another sphere. He was sent as Egyptian Minister to Brussels. Meanwhile, Abdel Fattah Yehia Pasha's Cabinet had resigned, in November 1934, and had been succeeded by a Ministry led by Mohamed Tewfik Nessim Pasha.

EGYPT: BACKGROUND OF NEGOTIATION

III. REACTIONS TO THE ABYSSINIA CRISIS

NESSIM PASHA is one of the mystery men of Egyptian politics. He has been Prime Minister twice and Chief of the Royal Cabinet (that is to say, the King's political adviser), but nobody knows what are his political convictions, beyond the fact that he is a devout Moslem, an opponent of sudden or violent change of any sort, and a very loyal servant of his King. He disliked the 1923 constitution because he thought it too advanced; he disapproved the 1930 constitution because he considered its promulgation illegal, and he is believed to have hoped that he might introduce a constitution better fitted than either of its predecessors to his country's needs. If this was his aim, it was not realised. From the first day of his taking office he decided that he must work in harmony with the party commanding the support of the large majority of voters—the Wafd. The Wafd had long before decided that restoration of the 1923 constitution was to be their first aim. They were prepared to give Nessim Pasha time to achieve this. For seven months the Prime Minister succeeded in maintaining friendly relations with the King, the Residency and the Wafd—no slight accomplishment.

Then, in July of last year, Egyptian opinion suddenly awoke to the possible consequences of the Italo-Ethiopian dispute. Egyptians appreciated the implications of Italian preparations long before public opinion in Great Britain became perturbed. Early in July, Egyptian newspapers were declaring: "Italy means to fight Great Britain for Mediterranean supremacy. Egypt will become a scene of hostilities. We can either try to stand aside from the conflict, and at its end make the best bargain possible with the victors, or we can declare our sympathies now, and, in return for giving every possible assistance to England, secure from her a promise that our independence shall be complete, as soon as the present crisis is past, instead of qualified by substantial reservations, as it has been since 1922."

REACTIONS TO THE ABYSSINIA CRISIS

There was never any suggestion that any Egyptian political party should angle for Italian sympathy, in spite of extensive Italian propaganda in Egypt. Egyptian opinion is solidly against Italian expansionist aims, both because of Moslem solidarity with the Arabs of Italy's North African colonies and because practically every Egyptian is convinced that Italy aims at making Egypt an Italian colony. Egyptian sympathies were wholly with Great Britain in her attitude towards the Italo-Ethiopian conflict. At the same time Egypt was determined to use that dispute and Great Britain's evident need of Egyptian co-operation in naval and military precautions to secure from the British Government recognition of Egypt's right to complete independence. For years past the Wafd's leaders have made no secret of their aims. "We are powerless," they said, "to force Great Britain to accept our claims until some other more powerful factor than our agitation brings influence to bear on the British Government. But once let Great Britain become involved in a European situation that will make security for British communications in Egypt a paramount consideration, and we will use that situation to exact compliance with our demands."

The policy of the Wafd in the present crisis has been consistent with that conception. In the late summer and early autumn, Nessim Pasha was being urged, not only by the Wafd but by all sections of Egyptian political opinion, to obtain from the British Government, in return for the unstinted assistance Egypt was giving to British defensive measures, an assurance that when the crisis caused by the Italo-Ethiopian conflict was ended Egyptian claims to real independence would be conceded. At that time (up to the end of September) an assurance from the British Government that at the earliest possible moment negotiations for an Anglo-Egyptian treaty would be begun might have satisfied Egyptian public opinion. But the only assurances Nessim Pasha was able to obtain were regarded

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as inadequate and evasive, and Egyptian aims soon changed to securing immediate acceptance of specific demands. Foremost among these was restoration of the 1923 constitution, which the Wafd determined to make a test of British intentions towards Egypt.

So when Sir Samuel Hoare, on November 9, stated the British Government's view that the 1923 constitution was not suited to Egypt's needs, Egyptian students—"the first-line soldiers of the Wafd," as Zaghloul Pasha once called them—began violent demonstrations, rapidly leading to sanguinary clashes with the police, which have continued off and on ever since. The Foreign Secretary's remarks were not intended, it subsequently appeared, as a veto by the British Government on restoration of the 1923 constitution, but it was precisely as a veto that they were understood by Egyptian opinion.

Since Sir Samuel Hoare's speech, Anglo-Egyptian relations have been marked by a series of efforts from the British side to convince Egyptian opinion that the British Government was ready to negotiate a settlement of the matters left reserved by the 1922 declaration. But the successive steps taken by the British Government in reaching its latest definition of its attitude have been preceded by rioting and violence, so that, in Egyptian eyes, the present position has been achieved by student lawlessness. The students have taken charge in Cairo in recent weeks. Egged on by Wafdist spokesmen in November to protest violently against Sir Samuel Hoare's speech, the students refused to stop rioting when the Wafd considered that violence had served its purpose. By then quite out of hand, the students turned on those who had incited them and forced Nahas Pasha, much against his will, to join a United Front with other parties in demanding from the British Government immediate signature of the 1930 draft treaty.

At the end of January King Fuad, who had been an inactive spectator of the turmoil of the preceding few months, took a hand in shaping the situation. He told

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Nessim Pasha, on January 22, that the time had come for him to make way for a national Government, which could negotiate a treaty with Great Britain. Next day, King Fuad summoned the members of the United Front to Koubbeh Palace and with an eloquence which impressed his audience besought them to form a coalition Administration. Nahas Pasha declined the invitation. Claiming to be leader of the large majority of the electorate, he insisted that he should be invited to form what kind of Ministry he thought best. The Wafd had had bitter experience of a coalition in 1928 and would not risk a second experience of the same kind.

After an anxious interlude, a compromise was arranged. On January 30 a neutral "business" Cabinet was formed under the Prime Ministership of Ali Pasha Maher, the Chief of the Royal Cabinet, who also became Minister for the Interior and for Foreign Affairs. Part of the compromise was that the delegation to negotiate a new treaty with the British Government would be headed by Nahas Pasha and consist of six Wafd members and five representatives of the non-Wafdist parties.* There is to be a general election by May 2, and meanwhile a political truce has been sworn. By the time THE ROUND TABLE appears, the negotiations with Sir Miles Lampson, the High Commissioner in Egypt, will probably already have begun. The British Government has insisted on a satisfactory settlement of the reserved points as a preliminary to the discussion of the terms of a treaty. The Wafd, on the other hand, demand the immediate signature of the 1930 draft. There is always the danger that the students, masters of the internal situation, will force the Wafd to add new and impossible demands to their programme. And the Wafd believe that Great Britain is cornered: faced by the threat of war in the Mediterranean, the British Government, they believe, will concede almost anything to avoid further trouble in Egypt.

Egypt,

February 1936.

* A seventh Wafdist and a sixth non-Wafdist were added later.

THE MARCH OF SANCTIONS

I. THE PARIS PEACE PLAN

SANCTIONS have now been in force for over three months. If their outward results have not yet been striking, they have undoubtedly had a grave effect on the underlying economic and financial situation of Italy, on which the future of her adventure ultimately depends. Meanwhile, the war has gone on, with its bloody tale of casualties and atrocities; and amid a welter of conflicting news it is apparent that the Italian forces have been unable to achieve the resounding victories they must have hoped for, and that the Abyssinians have displayed a remarkable power of resistance and counter-attack, against highly mechanised forces in difficult country far from their sources of supply. It seems fairly certain that no decisive military results will be reached in the first season of the campaign, and that the "big rains" will be a serious testing time, both for Italian morale and for the ability of Hailé Selassié and his generals to keep the Abyssinian armies together. Forecasts are dangerous, but surely this will be the period when the screw of sanctions will be most seriously felt in Italy; for no new victories or advances can then be acclaimed to rally the enthusiasm of the Italian people, and to stir them to the daily sacrifices that economic sanctions compel them to make.

Nevertheless, it was natural that many people should have agitated for an intensification of sanctions, with the aim of bringing the war rapidly to an end, and in particular for the extension of the embargo on sales to Italy to oil and other raw materials necessary for the continuance of Italian industry and the conduct of mechanised warfare. On November 6, as we recorded in the last issue of THE

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ROUND TABLE,* the Sanctions Committee of Eighteen approved in principle the extension of the embargo to petroleum and its derivatives, iron and steel, coal and coke, "as soon as the conditions necessary to render this extension effective had been realised". As the time for a practical decision on this issue came nearer and nearer, the possibility of violent retaliation by Italy loomed larger and larger in the minds of responsible statesmen. When the earlier sanctions had been imposed, the defensive measures taken by Great Britain in the Mediterranean had forestalled any armed retort that Mussolini may have contemplated; but with the progress of his armies checked in the Abyssinian highlands, with sanctions becoming more and more burdensome, and with the possibility of economic collapse ever more urgent, the Duce, it was felt, might prefer to go down at the hands of the great Powers, rather than submit to the resistance of the Abyssinians and the slow strangulation of the measures adopted at Geneva. Information was not lacking that the decision to apply the oil sanction might be regarded as a signal for a "mad dog act".

Whether these apprehensions were well founded or not, they could scarcely be neglected by responsible statesmen, and they were undoubtedly at the back of the minds of M. Laval and Sir Samuel Hoare when they met in Paris on December 7 and December 8 and discussed the possibility of putting forward conciliatory proposals. Sir Samuel Hoare, a sick and tired man, was on his way to Switzerland for a holiday—a fact that proved in every way unfortunate. For when the terms of the plan that he and M. Laval had agreed should be placed before the combatants were telephoned back to London for Cabinet approval, the Prime Minister and the Government were in a grave difficulty. The understanding was a *fait accompli*, and its repudiation meant rejecting the policy of the Government's own Foreign Secretary and injuring, perhaps

* See THE ROUND TABLE, No. 101, December 1935, p. 6.

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irretrievably, a valuable collaboration that had been carefully nursed with the French Government. Mr. Baldwin took his personal decision, in his own words, to "support the colleague who was not present to give his reasons or to be examined." On the Monday morning, before the Cabinet as a whole had been asked to consider the proposals, the gist of their terms leaked out in Paris. Members of Parliament and the general public at once became uneasy, and the members of the Cabinet themselves cannot have relished the decision that circumstances forced upon them that day, namely, to submit the proposals to the Council of the League as a constructive, but far from unchangeable, suggestion for the settlement of the dispute.

Their doubts grew, and both the Prime Minister and Mr. Eden, then Minister for League of Nations Affairs, were plainly ill at ease when they defended themselves in the House of Commons on December 10. The damage, in fact, had already been done. Perhaps the gravest step taken or authorised by the British Government was the sending of strongly worded instructions to the Ambassador in Rome and the Minister in Addis Ababa, explaining the proposals and urging them to secure the agreement in principle of the Italian and Abyssinian Governments. Sir Sidney Barton was ordered to use his "utmost influence to induce the Emperor to give careful and favourable consideration to these proposals and on no account lightly to reject them". The proposals included the cession to Italy of eastern Tigré, a rectification of the frontiers of Eritrea and Italian Somaliland which would have substantially increased the area of those colonies, and the formation in southern Ethiopia of a zone of economic expansion and settlement reserved to Italy. As some compensation for these sacrifices, Abyssinia would receive an outlet to the sea with full sovereign rights, preferably by the cession of the port of Assab in Italian country and of a strip of territory giving access to this port along the frontier of French Somaliland; if Italy did not agree

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to this, the United Kingdom and French Governments were prepared to facilitate Abyssinia's access to the sea through the port of Zeila.*

The reaction of British public opinion against these proposals was instant and overwhelming. It is difficult, and perhaps fruitless, to analyse the motives that gave rise to this powerful public reaction, which was reflected both in Parliament and in the minds of Cabinet Ministers themselves. People felt that Italy was being rewarded for her aggression; that portions of Abyssinia were being handed to her which she had not even conquered yet by force of arms; that the League was being frustrated and the terms of the Covenant violated, since the proposals could hardly be twisted into an appearance of conformity with the guarantee of territorial integrity under Article 10. When confronted with the argument, which was the chief shield and buckler of the defenders of the plan, that to intensify sanctions before making some attempt to find a solution agreeable to the parties was to risk armed retaliation by Italy, British opinion retorted that in that event we were trying to buy off an attack on the British Empire by giving away a slice of Abyssinia. There was a strong feeling that the mandate for a League policy given to the Government at the general election had been violated, and that British prestige as well as the authority of the League had received a grave blow from within.

By the time the matter came up again in Parliament on December 19, the plan was already dead and the Foreign Secretary's position had become untenable. As early as December 12, in the Committee of Eighteen at Geneva, Mr. Eden had described the terms of the Paris plan as only suggestions for discussion by the League, adding that if the League did not agree the British Government would make no complaint.

The policy of His Majesty's Government (he said) remains to-day what it has been since the dispute began. Any final

* Cmd. 5044.

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settlement must be acceptable to the League as well as to the two parties in conflict.

On December 19 the plan was formally buried by the League Council, which "did not consider that it was called upon to express an opinion" in regard to it at present.

When Sir Samuel Hoare rose to defend his action in the House of Commons, he had already resigned the Secretaryship of State. He stressed the probability of an attack by Italy if the oil embargo were successfully applied. He feared, he said, not that we should fail to retaliate with full success, but that an isolated attack of that kind, launched upon one Power without, it might be, the full support of other Powers, would almost inevitably lead to the dissolution of the League. After defending the terms themselves, Sir Samuel Hoare warned the House that, unless there were more active co-operation in pressure and in preparations by other States, collective security would vanish and the League dissolve, or, at best, a more unsatisfactory peace would have to be made. There was a strong feeling among certain Government supporters that the Prime Minister could not escape responsibility for the decisions that had been taken in that fateful weekend. Mr. Baldwin himself was contrite but obviously uneasy. However, erroneous tactics by the Opposition—combined, perhaps, with the want of any alternative candidate for the office who would be satisfactory to those who felt most deeply about this matter—ensured a rallying of the Government forces to the support of the Prime Minister, and of an amendment assuring the Government full support in pursuing a foreign policy based on the League of Nations.

That, so far as Great Britain was concerned, was the end of the Paris peace plan. The finely worded despatches of the Abyssinian emperor contrasted with the truculent bombard of Signor Mussolini in his Pontinia speech, and helped to reinforce the weight of British public opinion against

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the Italian cause. In refusing to accept the Paris terms in principle, moribund though they were, Mussolini made a prime diplomatic blunder.

The peace plan episode momentarily distracted public attention from the question of an oil embargo, and the political crisis in France (as a result of which M. Sarraut replaced M. Laval) also caused a certain delay at Geneva. On January 22, however, the Committee of Eighteen resolved to set up a committee of experts to examine the technical side of the problem, and on February 12 the committee published their report. Their main conclusions were as follows :

1. Having regard to the stocks already accumulated by Italy, or *en route*, the embargo would not become fully effective for three to three-and-a-half months.

2. If the embargo were applied by all League members it would be effective provided the United States limited its exports to Italy to their normal pre-1935 level; otherwise, the result would be only to render the purchase of petroleum more difficult and expensive for Italy.

3. The embargo would be strengthened if it were extended to cover industrial alcohol and benzol, which are possible substitutes for motor spirit.

4. An embargo on the transport of petrol to Italy would likewise require co-operation by non-League Powers in order to be fully effective; its most practicable form would be a ban, not only on the movement of tankers to Italy, but also on the sale of tankers to non-sanctionist States.

5. Suitable measures would have to be taken to prevent traffic by indirect routes, especially through free ports.

At the moment of writing, no decision had been taken on this report, either at Geneva or in London, but the prospects of obtaining from the United States the necessary co-operation were obviously much slighter than they had appeared to be when the oil embargo was first mooted; for American opinion had become suspicious of any move towards participation in sanctions under the shelter of neutrality protection, and its reluctance to co-operate with the League had undoubtedly been strengthened by the unhappy episode of the Paris plan.

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II. COLLECTIVE SECURITY IN PRACTICE

MEANWHILE, the attention of public opinion throughout the world had been forcibly drawn to the dangers of inadequate collective preparations for the possibility of an armed retort to sanctions. If the Paris plan did nothing else, it hastened the pursuit of an understanding on this vital question. On October 14, the French Government had been asked whether, in the event of an attack by Italy on Great Britain, France would be willing and able, should the need arise, to collaborate in resistance. The answer was in the affirmative.*

The French Government (ran the reply) fully considers article 16 as implying complete solidarity of each of the members of the League of Nations, in respect of that one of them who may have been attacked by the Covenant-breaking State, if this attack has been clearly brought about by the application of the provisions of the said article, the execution of which shall have been decided upon in common.

The British Government felt that certain points concerning the practical application of this principle required elucidation, and after further discussions obtained from France an acknowledgment that she interpreted her obligations under the League as implying "unlimited solidarity of action in the matter of military, air and naval assistance". This promise was based on the assurance, already given by the British Government, that they would not "take the initiative in any measures against Italy that would not be in conformity with the decisions taken, or to be taken, by the League of Nations in full agreement with France."

Following these conversations, the British Government made similar enquiries, early in December, of the Governments of Greece, Turkey and Yugoslavia.

The replies received from these three Governments, after consultation with one another, left no doubt of their readiness faithfully to apply all the obligations devolving upon them under

* Cmd. 5072, p. 3.

COLLECTIVE SECURITY IN PRACTICE

the Covenant, in consequence of measures taken in application of article 16.*

Reciprocal assurances were naturally given by the British Government. The undertaking by Yugoslavia was given after consultation, and in full agreement, with the other members of the Little Entente.

The British Government thought it necessary, when informing the League of Nations of what had taken place, to refer to the suggestion that the conversations between the military, naval and air staffs of France and Great Britain had been concerned, not only with the position in the Mediterranean arising out of the application of sanctions, but also with the north-eastern frontier of France. They roundly denied the truth of any such suggestions. Nevertheless, it is obvious that the reciprocal undertakings given on the initiative of Great Britain must inevitably become a precedent for any similar case in the future. The implications of this for Great Britain and the British Commonwealth have not yet been properly thought out. We have only to consider the hypothetical possibility of an act of aggression by Germany in eastern Europe, followed by a decision to apply economic sanctions against her, to perceive how close we have returned to the old policy of an *entente* with France. In that case, indeed, our obligations might be even more clearly defined under the Locarno pact; but public opinion is being brought to see much more clearly than ever before how intimately we are involved in any European quarrel, even to the extent of commitment to a general war, by the sanctions clauses of the Covenant. The truth that has been often reiterated in the pages of *THE ROUND TABLE* is being brought home to us, that for a great Power there can be no such thing as purely economic and financial sanctions that do not involve a risk of war. This is not to say that the application of such sanctions must always mean war, but rather

* Cmd. 5072, p. 4.

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that they will only be successful, and at the same time unprovocative of general war, if there is behind them sufficient collective force in reserve to deter the aggressor from armed retaliation, and to turn his threats into empty bluff.

III. THE COMMONWEALTH AND THE LEAGUE

HERE is a problem that intimately concerns every member of the British Commonwealth of Nations. They have all signed the Covenant of the League. They have all joined of their own free will in the application of economic and financial sanctions in the present dispute. It is scarcely possible to believe that in the event of an aggravation of the conflict we could rely more confidently on practical support from Greece or Turkey or Yugoslavia than from those nations to which we are bound by the ties of the Commonwealth as well as those of the League. They, too, must face this problem of the implications of their membership of the League and their support for the policy of sanctions. They have attained full independence in their external as well as their internal affairs, and with independence goes responsibility. The problem of the separate responsibility of the Dominions in world affairs, under a system of collective security, is perhaps the most urgent and vital problem that faces the British Commonwealth to-day.

In this number of *THE ROUND TABLE*, each of the overseas Dominions sends some account of the attitude of its Government and public opinion towards the Italo-Abysinian affair, its obligations under the Covenant, and its membership of the League.* This is no place to paraphrase or compress what writers in the Dominions themselves tell us at length and in their own words. One thing is clear from all their reports. There has been a great stirring of opinion in all the Dominions, a new

* See below, pp. 335, 376, 393, 408, 438.

COMMONWEALTH AND THE LEAGUE

recognition of their own responsibilities, a new realism in their outlook on international affairs. This in itself is all to the good. But it is essential that before minds are finally made up the whole problem should be discussed together by the Governments of the Commonwealth. There is no more vital question for the future of world peace, since the present dispute has shown us once again that in great international issues the influence of the British Commonwealth of Nations is always tremendous, and may well be decisive.

JAPAN MOVES ON

By a Correspondent in China

IN spite of grave preoccupations elsewhere, the attention of the world during the past six months has been claimed insistently by the Far Eastern scene. There has been a series of alarms, excursions and strange interludes, marking stages in a process, still dynamic and incomplete, of adjustment in the changing relations between China and Japan. With this process Great Britain is intimately concerned. She is faced with the problem of maintaining a great investment interest and an important trading position through a period of rapid and far-reaching political change. She is faced to-day no longer with a specific China problem, but with a Sino-Japanese problem: her own relations with China are inextricably involved in the relations between China and Japan.

Two other great Powers enter the picture—but their bearing is hesitant and obscure. The United States, too, has an investment interest in China, though small compared with the British; but to-day her mood seems to demand a negative policy in the Pacific. Yet at some future time she is capable of becoming a factor of decisive importance; to-day she stands in the background, imponderable and indeterminate in her relations with Japan. Soviet Russia, likewise urged at present by no positive impulse, lies in Outer Mongolia in direct and changing contact with China and Japan. A land Power with an undefined frontier with both countries, she is a factor of immediate if negative importance in determining certain aspects of Japan's policy in China. Nevertheless, for our present purposes the

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problem must be considered in terms of a tripartite international relationship—Great Britain, Japan and China.

An article in the September issue of *THE ROUND TABLE* * showed how a new world has come into existence in the Pacific, how Japan has established a new position for herself in China, and how—by virtue of this position—she feels strong enough to prevent the West from shaping its relations with China independently of its relations with Japan.

I. THE BASIS OF JAPANESE POLICY

JAPAN'S China policy is no half-and-half affair. In its essentials it has become firmly entrenched in the national consciousness; its roots are buried deep in the disturbed psychology of a consciously expansionist State.

Arguments are often advanced suggesting a cleavage between the military and civilian elements. Differences exist about method and time; but not about fundamental issues, as far as China is concerned. The industrial and commercial interests centred at Osaka have for many years experienced grave difficulties in trading with central China; they have little faith in any imminent resurgence of China as a valuable market for their goods; rather they regard her as a dangerous industrial competitor of the future. For this reason there is little opposition in Osaka to a forward policy in China designed to strengthen Japanese economic control over China's resources, even perhaps at the temporary expense of Japanese trade. The army is the agent for initiating and carrying out successive steps in the development of Japan's China policy, and in its efforts to evolve its own economic theory the military mind has certainly been criticised. But on the whole there seems to be much less division of opinion to-day than there was during the early anxious days of the Manchurian affair.

Such dissension as exists is better explained in terms of rivalry between the specialised and highly individualist

* See *THE ROUND TABLE*, No. 100, September 1935, p. 684.

JAPAN MOVES ON

military agents who are so active in the promotion of policy. In Japan there is a tendency both in the Foreign Office and in the army to leave the conduct of Chinese affairs to specialists in both services. The army experts are a forceful clique: they have their own political dream of Japanese domination in China: they toil and scheme incessantly, laying plans both political and economic: they are deeply involved in the internal political structure of China. This specialised, semi-political, powerful executive agent sometimes out-distances the less specialised officials in Tokyo. There is jealousy between the China experts in the army and the Foreign Office, and—as was shown in the recent episode in North China—there is bitter and sometimes stultifying jealousy among the soldier-diplomats themselves. But, in spite of these differences over the application of policy, the main features of the policy itself are accepted by the nation as vital to Japan's destiny as an expanding Power.

Japan is determined to guide the future development of eastern Asia. This development is to take the form of close economic and political co-operation between Japan, China and Manchukuo. China and Manchukuo are to become increasingly important to Japan as suppliers of raw materials for Japanese industry. It is because she fears China as a potential competitor that Japan mistrusts uncontrolled industrial development in China; this fear is behind her determination henceforth to play the major part in guiding China's progress. It has an important bearing upon her attitude towards the relations between China and the West—and towards the recurring rumours of loans and constructive assistance to the Chinese in developing their country. Japan is determined to destroy all resistance to the growth of her influence in China. She sees in any effort made by the Chinese to develop their economy independently, or in co-operation with some other nation, such as Great Britain, an attempt to hinder the fulfilment of Japan's "manifest destiny" on the Asiatic mainland.

DEVELOPMENTS IN NORTH CHINA

Against this background of Japanese policy should be viewed the whole series of recent events. It illuminates the developments in North China and renders comprehensible the almost universal hostility directed against Sir Frederick Leith-Ross and the part that he is alleged to have played in aiding and abetting the Chinese in their adoption of a paper currency.

II. DEVELOPMENTS IN NORTH CHINA

IN the latter part of last year, North China was the scene of a political upheaval symptomatic of the forces at work in shaping the changing relations between China and Japan.* To the outside observer there was a certain obscurity in the actual march and countermarch of events; but their main trend followed the general direction of Japanese policy. The sequence was confusing chiefly for two reasons—the complexity of the personal relations out of which Chinese politics are woven, and the subterranean and highly specialised methods employed by Major-General Doihara, the head of the Special Mission of the Japanese Kwantung army, an expert in Chinese affairs, and the prime mover in the recent happenings in North China. A situation initially complicated was further confused by a difference of opinion among the experts themselves; ambitious and politically-minded Japanese generals confronted each other with rival candidates for the administration of North China. And, to the surprise of all, including themselves, the Chinese, taking advantage of a weakness in the Japanese position, succeeded, if not in gaining a diplomatic victory, at least in surrendering much less than at first seemed inevitable.

The original plan for five so-called “autonomous provinces” was to have been a logical step in the fulfilment of Japan’s policy for strengthening her political and

* See map, below, p. 305.

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economic domination of China—an extension, south of the Great Wall, of a system of control more attenuated and less direct than the system of direct control established in Manchukuo. It was foreshadowed in June last year, when Nanking troops were forced to withdraw from North China. And it was closely associated with the strategic schemes of the Japanese army for extending military posts through Chahar and into Suiyuan, in order to maintain frontier contact with Soviet Russia along the borders of Outer Mongolia. General Doihara based his plans upon a combination of intrigue and adroit manœuvre, among Chinese war lords in power and political cliques out of power, and upon a liberal use of the threat of force, backed by the presence of the Kwantung army on the other side of the Great Wall.

Yet, in spite of well-laid plans, the five-province programme failed. Its failure was due essentially to the fact that Japan was not prepared to use military force within the Great Wall. It is still an accepted axiom in Tokyo that Japanese troops on a large scale are not to be employed in China proper: Japan does not feel strong enough in men or resources to establish a second Manchukuo in the vast territory of North China.

The Chinese, nearly too late, discovered this weakness in Japan's position, and themselves were able to play the game of intrigue and diplomacy in which they traditionally excel. The military governors of Shantung and Shansi provinces, both of which were to be included in Japan's "autonomous" imperium, refused to dance to General Doihara's tune, preferring for the present to remain in a state of semi-independent suspension between the central government at Nanking and the Japanese-influenced provinces contiguous with the Great Wall. The Chinese were greatly assisted in their tactics of evasion by a difference of opinion among the Japanese agents themselves—the failure of General Doihara and his technical superior in command of Japanese troops in North China to agree

DEVELOPMENTS IN NORTH CHINA

upon a common list of names for the Chinese administration of the "autonomous" area.

On the ruins of the five-province scheme the Japanese succeeded in erecting a two-province arrangement for Hopei and Chahar. Within this two-province administration is established an *imperium in imperio*—a small "independent" régime known as the East Hopei Autonomous Council, which came into existence as an initial move in the five-province alignment. Yin Ju-keng, a Japanese puppet, is in nominal control of the "East Hopei Autonomous Anti-Communist Government".

Sung Cheh-yuan—a Chinese general of the old school—has been established for the time being at Peiping as head of the new Hopei-Chahar Political Council. The status of the administration is still indefinite. General Sung Cheh-yuan remains nominally loyal to Nanking; there has been no official pronouncement of "autonomy"; national customs and postal revenues are to be remitted to Nanking for the time being, but railway and salt administration funds are to be kept in North China. The East Hopei administration of Yin Ju-keng, which is under direct Japanese supervision, acts as an "independent" authority, and it proposes to appropriate all revenue collected in the districts under its control. Its area is elastic, changing continuously. Japan will be able to use the Yin Ju-keng régime as an effective instrument for bending Peiping to her wishes.

Thus North China, for the moment, has regained a semblance of tranquillity; but the situation is plainly unstable, with relations with Nanking undefined and the measure and form of Japanese control undecided. At present the Chinese have resisted the appointment of Japanese advisers within the Peiping administration. Japan's military agents will now seek to attain their objectives by means of such pressure and influence as they can exert upon the new Council. They can claim success in the outcome of recent events in that they have eliminated

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certain "anti-Japanese" elements from North China and established an administration disposed to deal favourably with Japanese demands. If this administration fails to yield results, we shall probably witness in due course another political upheaval in North China and a new quorum of Chinese officials established in Peiping.

The immediate issues to be forced upon the Peiping régime will be local in character, reflecting demands of the Japanese military authorities arising from the ill-defined frontier relations between Manchukuo and North China. These demands are centred upon questions of communications—railways and air-lines—and of local commercial and industrial projects involving some measure of control of Chinese investment. Eventually there may be an attempt to bring about a customs understanding between North China and Manchukuo, combining both areas as a single economic entity.

But as a step in the development of Japan's general policy the two-province arrangement is linked with the ultimate conceptions that were also behind the plan for the five provinces. In this respect the five-province scheme is not dead. In Hopei and Chahar—as eventually in other parts of China—Japan desires to shape economic developments to her own ends, to supervise public expenditure, to influence investment, and to check economic or political activity that appears to be inimical to Japanese aspirations. It is not hard to see how British investment and trading enterprise may be affected in North China, and later elsewhere, as Japan's policy becomes increasingly effective.

III. NANKING AND JAPAN

IT is sometimes asserted that Japanese actions in North China cannot be reconciled with the attempts of the Japanese Ambassador in Nanking to improve the relations between the two governments. In reality there is no such contradiction.

NANKING AND JAPAN

So far, the Japanese have been successful in proving their contention that they can better their relations with China by the use or threat of force. They have broken the boycott by force; they have made it plain that all activities against Japan will be met by force; by using the threat of force they are insisting upon Nanking's abandonment of the traditional policy of balancing one foreign Power against another. China is to be compelled by force to look to Japan for guidance; and those political elements described as Western and American-trained are to be plainly shown that they must cease to rely upon Europe and America in resisting Japan. Japan is pursuing a policy of conciliation through compulsion. She has made it plain that every little incident—even the breaking of a Japanese shop-window in Shanghai—will be followed by swift, possibly brutal, retaliatory measures.

The success of these tactics has been remarkable. In spite of the revival for one week in December of organised student opposition throughout the country, the events in North China have run their course without weakening the capacity of the Japanese Ambassador to continue the policy of "conciliation" in Nanking. Chiang Kai-shek has reorganised his Government, emerging himself for the first time as titular head of the civil administration; in replacing certain officials he has included a greater number of men educated in Japan with whom the Japanese will be able more easily to negotiate. The Western and American-educated group has been weakened.

The violence of the recent student agitation is a danger signal showing that the forces of hatred are widespread and deep. There may be a point beyond which, in yielding to Japanese demands, the Nanking Government cannot move without imperilling its own position. Chiang Kai-shek, in assuming open and direct responsibility for the conduct of foreign policy, has given a hostage to fortune. His principal danger is held to be that Japan may press him too hard: so hard that he may eventually find it

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impossible to maintain his administration in face of the resentment of an increasingly bitter public opinion.

Armed resistance to Japan—insistently demanded by all sections of Chinese opinion not directly responsible for the execution of policy—would result in the disappearance of the Nanking Government and the destruction of all those elements of national unity and progress that Chiang Kai-shek is endeavouring to strengthen and preserve. But Chiang Kai-shek's position is based upon military power. To-day he is stronger than he has ever been; and those who believe that Japanese pressure may eventually wreck him on the rising flood of Chinese public opinion tend to forget the strength of the foundations on which his power rests.

Nevertheless, it is for Japan to show some reasonable measure of restraint. And some fear that, since Japan appears to regard British and other foreign investments as an obstacle to her policy, she may be prepared in certain circumstances to tolerate a period of political disturbance in the Yangtze valley, and to wait for a time in order to re-establish her own investments—now so much smaller than Great Britain's—securely upon what relics may then remain of the investments of the Western Powers. This view, however, seems to be unduly pessimistic. There is no evidence that Japan seeks to destroy the Nanking Government.

All present indications point to a resumption of negotiations between Nanking and Japan for "improving relations between the two countries", and to a gradual yielding of concessions, political and economic, in response to Japanese diplomatic pressure, supported by the threat of armed force. These concessions may affect British trade and investment in a variety of ways—and not to their advantage. And eventually, perhaps, we shall see a Japanese adviser established in each of the spending departments of the Nanking Government.

CHINA'S CURRENCY REFORM

IV. CHINA'S CURRENCY REFORM

INTO the middle of this shifting, sensitive, political situation plunged Sir Frederick Leith-Ross, the Chief Economic Adviser to the United Kingdom Government. He was sent to China to investigate the economic situation with special reference to the currency problem, and to make recommendations to his Government as to the best method of maintaining British investment and trade. But it was impossible for one in his position to visit the Far East at such a time without becoming a leading figure on the Far Eastern political stage. In Japan his advent was interpreted as a major political move by Great Britain to revive British prestige in China and to breathe a little fresh hope into the hearts of the Chinese, who were rapidly giving way before the pressure of Japanese policy.

At this stage in the development of her relations with China, Japan is not prepared seriously to discuss co-operative international plans for assisting the Chinese government. It is by no means certain whether Japan will be prepared at any time in the future to support a plan for extending international financial assistance to China—even though such a plan may be of immediate benefit to Japanese trade. Rather than join in strengthening the investment stake of the West, she may prefer gradually to develop her own policy in isolation, even at the cost of retarding China's economic progress. The proposals made by Sir Frederick Leith-Ross in Tokyo were received coldly; they were regarded as an attempt to check the advancement of Japanese policy in China.

Then followed the conversations with Chinese bankers in Shanghai, from which emanated on November 4 the Chinese Government's announcement of currency stabilisation and the nationalisation of silver. In Japan, civilians and militarists alike united in denouncing the perfidy of Sir Frederick Leith-Ross and in stigmatising the currency measures as "a crushing blow to the stability of the Far

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East". There was no attempt to criticise the currency measures on economic grounds; actually a similar plan had been advocated by Japanese economists for some months. The opposition was essentially political. Japanese militarists declared that Sir Frederick Leith-Ross was trying to prevent the completion of their plans in North China: in the same breath they advanced specious arguments accusing him of responsibility for the "autonomy" movement.

It was perhaps unfortunate that the Leith-Ross mission coincided with Japan's political enterprise in North China. The Japanese realised how unsettling to the Nanking mind would be the incursion of Sir Frederick Leith-Ross at that moment—giving to the Chinese a little moral support at a time when Japan was concentrating her efforts upon knocking away every moral prop from beneath them. In this sense the currency question cannot entirely be dissociated from the situation in North China. In the opposite sense, it was claimed that the northern provinces' unwillingness to surrender their silver stocks to the central government set a premium upon "autonomy." This argument is hard to swallow. The central government yielded to northern demands by establishing local reserves for provincial silver stocks; and the question who is to take the profit on sales of silver can be adjusted, as these questions always are, in a true spirit of Chinese compromise.

The anti-British outburst in Japan was intense and widespread. Commenting on the currency measures, the Japanese War Minister announced, more in sorrow than in anger:

that China should suddenly take such a course without consulting Japan can only be interpreted as a complete lack of interest on the part of China in improving her relations with Japan. The army will take no action at once, but, when the time comes to act, it will not hesitate.

At first it was believed in Japan that a British loan had been promised to support China's new currency. The very idea

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of a loan to China was assailed publicly as a disturbing influence in the Far East and a malicious onslaught upon Sino-Japanese relations.

To-day it seems that these tactics (even if they have failed to deter the West from contemplating a loan to China in the teeth of Japanese opposition) have at least made the Chinese feel a little hesitant about accepting money from outsiders, however eagerly proffered or however sorely needed. The Chinese now announce that there is no question of a foreign loan and that they are well able to maintain their currency without any such assistance. Meanwhile, Great Britain, largely by force of circumstance, is identified with a currency reorganisation which, in the opinion of many, may depend for its ultimate success upon a foreign loan to China.

Great Britain's problem in China remains part of the larger problem of her relations with Japan. It is not easy to see what Sir Frederick Leith-Ross can accomplish in China until this larger problem is faced, and unless the British Government is able to readjust its relations with Japan by means of influence—economic and financial—exercised in spheres beyond the confines of China.

V. THE SHANGHAI PROBLEM AND THE FUTURE

AT the same time as events were shaping themselves in the north, there developed an agitation among the Japanese community in Shanghai against the predominant British control of the International Settlement. This outburst, although not unconnected with Japan's growing sense of power *vis-à-vis* the West in China, was also a purely local reflection of a stage in the development of Shanghai. The problem of Shanghai has assumed a new form as a result of the rapid increase of the local Japanese population during the past ten years. The Japanese community living in the International Settlement, and in the "external roads" areas adjacent to the Settlement, is

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estimated to-day at about 30,000, compared with a British community of 8,000.

As a natural result of the historical development of Shanghai as a predominantly British enterprise, the administration of the Municipality has been built up on British lines and is largely staffed with British officials. The American community, which is much smaller than the British, has been content with a minority representation on the Municipal Council and with a very limited participation in the administrative machinery. It is against British control of the administration of Shanghai that Japanese agitation is directed. This pressure is likely to grow with the natural increase of the Japanese population and with the logical advance of Japanese policy in China. Japan's demands in Shanghai are for increased representation on the Council, greater participation in administrative posts, a reorganisation of public expenditure to conform rather with Japanese than with British standards, and a revision of the franchise on a more democratic basis. This last demand is significant; for, although the Japanese far outnumber the British, their voting power is to-day smaller.

The comparative figures of British and Japanese population are misleading in the sense that a vast majority of the Japanese residents are small shop-keepers and labourers, whereas the British community, representing considerable wealth, consists in a large measure of well-paid business executives and traders. Shanghai is essentially a capitalist structure: it was created in order to afford legal and administrative security to vested interests in investment and trade. Any change in the direction of democratising the administration of Shanghai would not only entirely alter the balance between the Japanese and British communities; it would sacrifice the whole purpose for which Shanghai in its present form exists—as a protective structure for foreign trade and investment. Moreover, the Chinese monied interests closely identified with the capitalistic organisation of Shanghai would shrink in horror from any

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suggestion for placing Shanghai's constitution upon a more liberal or democratic basis.

The municipal franchise is based upon a high property qualification. The British property-holding and investment in Shanghai are still far ahead of the Japanese. The best available figures, calculated after a careful survey in 1930, showed the following comparison at that time between British, Japanese and American investments :

British investments	£151,000,000
Japanese	„	.	.	.	44,000,000
American	„	.	.	.	26,000,000

These figures show how extremely important is the British stake in Shanghai, and how immense has been Great Britain's contribution in building up Shanghai to its present position as a great city. In spite of Japan's numerical predominance, the British community in Shanghai still contributes nearly twice as much as the Japanese towards the municipal taxation. For these reasons the British community feels that there is still a just basis for the predominance of British control in the municipal administration. The Japanese agitation is to be met by organising British voting power so as to muster full strength at the forthcoming election of Councillors. An attempt will then be made to meet the Japanese demands on *ad hoc* issues, within the framework of the present administrative structure, and to remove Japanese grievances over the distribution of municipal expenditure, to the fullest limit that equity and the just claims of all sections of the community will permit.

The Japanese agitation has given rise to a fresh consideration of the whole Shanghai problem. In some quarters the occasion has provoked a proposal for an international conference with a view to amending the constitutional and political status of the Settlement. The administration and international status of the Settlement rest uneasily upon the Land Regulations—a limited scheme

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of government originally designed for the administration of an area predominantly British. To-day this area contains nearly a million Chinese. Pressure directed against British control has in the past come from the Chinese. This pressure has at times been so insistent that a few years ago it seemed to be only a question of time before the Chinese demands would have to be met. Rendition of the Settlement to China was accepted by the British Government as inevitable in the long view.

To-day the promotion of Japanese claims and Japanese pressure have altered the position. In face of the Japanese problem the British community seems for the moment to have forgotten its former fear of Chinese encroachment; and the Chinese for the same reason hesitate to disturb the present *status quo*. In their present mood the Chinese would prefer the Settlement to remain British and American, if the only alternative is for it to become Japanese. Great Britain remains poised in anxious balance between Chinese aspirations and Japanese demands. It is generally recognised upon what a circumscribed and uncertain foundation the present administration rests and how easily it could be stultified in practice by Chinese refusal to recognise its *de facto* validity or by Japanese intransigence.

A proposal for joining with China in an attempt to regularise the status of Shanghai as an international and predominantly foreign administration was made in 1932 after the Japanese hostilities; for it was hoped that the display of Japanese armed force would induce the Chinese to concede a status to Shanghai that would give a new lease of security to foreign investments and trading interests. To-day a similar proposal is inspired by the same reasoning—and it is open to the same objections. Successive Chinese Governments have refused to accept the validity of the Land Regulations; foreign control of the International Settlement is viewed “through a glass darkly”; any amendment of the status of Shanghai except in the direction of rendition to China could be achieved only as

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the result of pressure based upon force—under present conditions upon Japanese force, Japan being the only Power able and willing to employ coercion in her relations with China.

The risks inherent in such an attempt to procure a readjustment of the status of the Settlement are obvious, apart entirely from the questionable morality of any arrangement whereby British interests would take advantage of the temporary services of Japanese bayonets, and apart from its bearing upon the wider implications of our foreign policy. Even if, for a time, such action were to result in greater security and prosperity for British trade and investment, and were to stabilise the present uncertain status of urban areas outside the boundaries of the Settlement which have been built up by foreign enterprise, Japan and not Great Britain would thenceforth be the dominant Power in Shanghai. Japan would never lend the weight of her power without making sure that she emerged from the negotiations as the predominant partner in the Shanghai administration. And any such settlement imposed upon China by the threat or use of force could be maintained only by force—force exercised by Japan. In relation to Japan, Great Britain's position would be humiliating: in relation to China, her prestige would vanish into thin air.

It seems, then, that we have no alternative but to remain uneasily suspended between China and Japan, meeting in administrative matters the legitimate demands of the Japanese community and at the same time endeavouring to pave the way for the satisfaction of Chinese aspirations, in so far as they can be adapted to a reasonable measure of protection for British trade and British investment.

As an alternative solution for the Shanghai problem, it has been suggested that a wise process of administrative decentralisation might later be followed by an attempt to separate from the rest of the Settlement those areas where Japanese population is mainly concentrated. Apart from certain grave practical difficulties, such an arrangement

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would surely be equivalent to a gesture of despair. With Japan entirely dissociated from the administration of the International Settlement, British interests would be faced sooner or later with a process of relentless attrition—with Japan acting in conjunction with the Chinese either as forceful master or as willing coadjutor.

It must be the ultimate purpose of British policy in China to bridge, not to widen, the gulf between Great Britain and Japan: to convince Japan that it is not in her best interests to direct her growing power in China against the British commercial stake. In spite of enormous difficulties it must be our aim as far as possible to integrate British and Japanese trading interests in China, rather than to add another stone to the wall that to-day dangerously keeps them apart. And in Shanghai we still have a platform upon which, at least in theory, some process of integration should be possible.

China,

January 1936.

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NORTH CHINA AND MANCHUKUO



The above map shows the five provinces which were to be incorporated in the abortive northern autonomy scheme.

The black area is the Demilitarised Zone, which was forced upon China after the Japanese occupation of Jehol. The "demilitarisation" of the zone on the Manchukuo side of the Great Wall has no practical significance, since Japanese troops occupy the Great Wall passes. Indeed, Manchukuo and Japanese troops have pressed forward into Chahar, the area occupied being indicated by shading.

Outer Mongolia is under Russian influence. Japan's strategic aim is to establish a series of military posts westwards through Chahar into Suiyuan, in order to maintain contact with Russia along the frontier, to secure Manchukuo against attack from the west, and to insulate Inner Mongolia from Russian penetration.

The "autonomous" administration of Yin Ju-keng lies in the Hebei portion of the Demilitarised Zone, within the Great Wall.

COLONIAL RAW MATERIALS

IN two striking ways the Abyssinian conflict has brought the world economic problem to the front of public interest and international concern. On the one hand, the League sanctions have been, in effect, an intense economic war, and experience of them has thrown much light on the place of economic weapons and economic vulnerability in general strategy. On the other hand, economic pressures are among the inner causes of Italy's aggression, and economic requirements are among her avowed war objectives. Sir Samuel Hoare's speech of September 11 in the League Assembly acknowledged, with the authority of the world's greatest trading and investing country, that if war as an institution was to be uprooted an attack must be made on its underlying economic causes. As a contribution to this end he promised British co-operation in an international enquiry into the distribution of colonial raw materials. The wheel comes full circle: among the causes of war are the repressions of economic nationalism; and economic nationalism is intensified by the fear of war. The two problems, like the problems of security and disarmament, must be attacked simultaneously; for it will be just as fruitless to try to moderate the economic causes of war if the fear complex remains to undo our work, as to try to construct a system of security while leaving untouched the inner economic causes of insecurity. The present crisis has shown us clearly the futility of penning international pressures in a prison of unalterable treaties and automatic sanctions.

I. COLONIAL RESOURCES AND NATIONAL DEFENCE

THE struggle for sources of raw materials and foodstuffs, like the struggle for national self-sufficiency, has often been inspired by a desire for greater security in time of war.

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Italy's wheat campaign and her quest for economic resources in Abyssinia are of a piece together. But if strategy is the purpose, strategy must also be the test, and there is no escaping the conclusion that colonial resources are useless as a war-time safeguard unless they are backed by secure command of the routes of supply. Without command of the seas, as Germany found in 1914-18, distant colonies are valueless as an economic tap-root in time of war. Germany's present decision not to challenge British command of the seas therefore implies that for the time being she has relinquished this purpose at least of her colonial ambitions. On the other hand, if a nation possesses command of the seas, the question whether or not it also holds the sovereignty of colonial territories becomes of secondary importance. So long as the British fleet remains capable of keeping open the trade routes between the mother country and the Dominions and colonies under the British flag, it will likewise be capable of safeguarding supplies, not subject to embargoes, from such countries as the United States, Argentina, or the Netherlands East Indies. To take a parallel instance on land—Germany's access, in the event of war, to the oil wells and granaries of Roumania and Hungary depends, not on whether the Swastika flies at Bucarest and Budapest, but on whether German alliances and German power can keep open the routes through Poland and Austria. Thus, viewed from this angle, the problem of economic resources is definitely subordinate to the problem of naval, military and air power.

But that is not an end of the matter. Dependence on insecure resources, whether colonial or foreign, provokes, in a world of power politics, efforts towards greater self-sufficiency. These in turn give rise to volcanic internal pressures, which, when they erupt, demand strategic as well as economic relief. The reverse side of the panel is the fact that Italy's covetousness towards Abyssinia, conceived in terms of strategy, necessarily implies a covetousness towards the command of the communications between

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the hoped-for colony and Italy itself. Whether at the back or at the front of his mind, Mussolini's ambition is apparently to command the eastern Mediterranean, the Suez Canal and the Red Sea; otherwise, in the event of a clash with the other naval Powers of the Mediterranean, Abyssinia must be a strategic handicap rather than a strategic asset. The next—or possibly an intermediate—step is to secure for Italy the control of the alternative route to Addis Ababa by way of Egypt and the Sudan.

The sanctions episode has taught the Duce, as well as the rest of the world, several lessons. It has taught him and us the vital importance of command of the seas in protecting lines of supply and military communications. And it has taught us the tremendous power for the suppression of war that resides in simultaneous command of the seas and of vital economic resources. The first real test of economic sanctions has shown that the refusal of finance, the stoppage of purely military supplies, and the ban on imports from the aggressor country are slow and uncertain in their effects compared with the denial of essential raw materials, notably oil, coal and metals—provided they are withheld promptly. The threat of an embargo on oil, late as it was, altered the whole face of the international situation. If oil could be withheld from Great Britain, even the vast resources of the whole British Empire would be inadequate to carry on a prolonged war with modern weapons. There is not a country or an empire in the world—not the United States, not Russia, certainly no European Power—that is independent of outside sources of supply of materials essential for the prosecution of mechanised warfare. Here, then, is the most potent weapon available for the defence of the peace system—not for the rigid prevention of international change, but as an ultimate sanction against defiance of international law and the contumacious rejection of reasonable, peaceful terms of adjustment.

Economic sanctions, of course, must have behind them a sufficient reserve of armed power to prevent the

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aggressor from retorting with an effective threat of war. Any hesitations of British policy in asserting the authority of the League have been largely based on the feeling that in this case the reserve of armed power was represented by the British navy alone, and that the national risks were therefore too great. Economic sanctions require also a further condition that is not necessarily required by military sanctions. They require the co-operation of non-League Powers. In this instance, of the three great Powers outside the League, Japan was of no great consequence as a supplier of Italy's vital needs, while Germany, anxious to retain British friendship, preoccupied with rearmament, and hamstrung by her own economic difficulties, has not presented a serious obstacle to successful economic sanctions, though she and other non-participating countries have certainly retarded their effect. The neutrality policy of the United States is designed primarily to keep her out of war, not to help the League, but its development is of vital importance to the League and, in the long run, especially to the British Commonwealth, which would have to bear the brunt of any friction that might be caused through interference with American trade.

The high tide-mark of the neutrality flood was the Bill introduced by Senator Pittman and Mr. McReynolds on January 3, which would have gone three-quarters of the way towards making the United States an effective, though negative, collaborator in economic sanctions; for it would have authorised the President, among other things, to place restrictions on the shipment to belligerent countries of articles or materials used in the manufacture of instruments of war, or in the conduct of war, whenever "to refrain from placing such restriction would contribute to a prolongation or expansion of the war". It even went so far as to propose that Congress, with the President's approval, might agree to discrimination between the belligerents in respect of the embargoes or restrictions that it authorised. The Bill itself is dead, it seems, and American

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opinion is still violently at war with itself on the neutrality issue. But the conflict is taking on a new realism; for the mist of vague ideals and traditional formulas is clearing away, to reveal the hard inner choice between the sacrifices required by isolationism and the sacrifices required by a new internationalism. The Americans, who to-day feel that economic forces brought them into the war, may come to perceive that on the economic plane is to be found, not only many of the causes of war, but also part of its cure. And in the foreground of the economic aspect of war to-day is the problem of access to essential raw materials and foodstuffs.

II. THE ECONOMIC COMPLEX

THAT problem has several aspects; the strategic aspect has been mentioned already. When we turn from the contingencies of war to the opportunities of peace, there seems at first sight to be no serious difficulty; for, as Sir Samuel Hoare put it in his Assembly speech, "there is no question in present circumstances of any colony withholding its raw materials from any prospective purchaser. On the contrary, the trouble is that they cannot be sold at remunerative prices". But the matter cannot rest there. Not only does the root of the trouble lie in the question why the prospective purchasers cannot afford to buy; we must first clear aside the minor fact that certain important colonial commodities are indeed being "withheld" from purchasers, in the sense of organised restriction of production or export. International restriction schemes are in force for rubber, tin and copper, among other commodities. Sir Samuel Hoare made passing reference to the efforts of a Commission of the World Economic Conference in this direction.

Its work (he said) was directed primarily towards raising wholesale prices to a reasonable level through the co-ordination of production and marketing, but one of the stipulations of such action was that it should be fair to all parties, both producers

THE ECONOMIC COMPLEX

and consumers, that it should not aim at discriminating against a particular country, and that it should, as far as possible, be worked with the willing co-operation of consuming interests in importing countries.

There is considerable virtue in "so far as possible". Consuming interests, not otherwise interested in the producing concern or country, will always prefer a lower to a higher price, unless indeed the lower price implies an eventual collapse of the industry, threatening a shortage of supplies for which a temporary low price would be no compensation. Can anybody doubt that Germany, for instance, would prefer to buy rubber at 3d a lb instead of 6d, or tin at £175 a ton instead of £225, or copper at £25 a ton instead of £35? It is true that the restriction is not discriminatory; Great Britain has to pay the same price as Germany for these commodities. But Great Britain is a great investor in the industries that produce them, and reaps in extra profits much if not all of the additional price that she has to pay for her needs. It is as an investing country rather than as an imperial country that she ranges herself on the side of regulation of output or export with a view to raising primary prices.

But she gains another advantage also, one that is open, on the face of it, to all other countries, whether directly interested in the producing industries or not, and one that must serve to justify such regulation as a measure towards world recovery. She gains the opportunity of selling more to the producing countries. If, then, the regulation of production or export of primary commodities is not to be at heart discriminatory, equal opportunity must be afforded to all "prospective purchasers" to sell their goods to the producing countries. Thus the minor problem of restriction is entangled in the major problem of international selling and buying. The difficulties of the producing countries in selling, and those of the consuming countries in buying, amount to the same thing. The consuming countries have not the means to buy, and they

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have not the means to buy because they themselves cannot sell.

Germany may be taken as an example of a country that not only is deprived of colonial resources of its own but also meets with economic obstacles in seeking to tap the resources of others. Germany's balance of trade has steadily deteriorated during the depression. In 1931 she had an export surplus of Rm. 2480 millions; in 1934 she had an import surplus of Rm. 278 millions. In 1935 she changed this deficit into an export surplus of Rm. 113 millions, but she did so more by means of a further curtailment of imports than by means of an expansion of exports. In spite of the stoppage of her debt service, she has no margin now to finance additional imports except through additional exports. Among the causes of this situation there are at least two factors the blame for which must be laid at Germany's own door. The first is her rearmament programme, which has compelled her to substitute, among her imports, the raw materials of armaments for goods that might contribute more directly to the welfare of her people. This, however, does not in any way weaken our present conclusions, since the materials of armament are among the commodities with which we are here chiefly concerned. The second factor is Germany's determination, while maintaining the nominal parity of the reichsmark, to conduct her internal economy on an inflationary rather than a deflationary basis, thus handicapping herself in competitive export business. Her leaders would have us believe, indeed, that she is seeking self-sufficiency for its own sake, regardless of what other nations may do; but it is impossible to avoid the feeling that this is only to make a virtue of necessity. When every allowance, however, is made for these factors, it remains true that Germany has been struck particularly hardly by the tremendous rise in barriers to international trade, including those imposed by Great Britain, and that this has had a disastrous effect upon her international capacity to buy.

THE ECONOMIC COMPLEX

What has this to do with the problem of colonial raw materials? It suggests, first of all, that neither the prosperity of the colonial producers, nor a relaxation of the tension between the contented and the discontented Powers, will be permanently achieved until there is a great reduction in world trade barriers. That is the true inwardness of the problem mooted by Sir Samuel Hoare in September. The facts, however, have a still closer application to the colonial problem. Quite apart from restriction of output or trade in any particular commodity, a discrimination in imports is in effect a discrimination in exports. We cannot, indeed, treat the trade between, say, Germany and West Africa as though it were isolated in Martian seclusion from the whole complex of world trade; Germany's ability to buy from West Africa depends fundamentally on her ability to obtain the necessary foreign exchange, which she may acquire by exports to any country in the world; her channels of trade and currency may be multilateral. But on the whole it is easiest to buy in the country in which you sell. The basis of imperial preferences, from the point of view of the colonies, is that the more they take of British goods the more they will be able to sell in Great Britain; the converse, taking colonial trade as a whole, is equally true—the less they take of foreign goods the less they will be able to sell in foreign countries. Hence imperial preference in the colonies is at bottom a form of discrimination against foreign countries in respect of their access to the things the colonies produce. There may be—there are—many economic and political arguments in favour of a preferential régime for the dependent empire, but here we are concerned only with one aspect of the problem, which all agree is vital to the future of world peace. We cannot genuinely offer to open the question of access to colonial raw materials unless we are prepared to reconsider the question of imperial preference as applied to the colonies concerned. The psychological terms may be just as important as the economic terms. We cannot ignore the effect upon the

COLONIAL RAW MATERIALS

outlook of Have-not Powers of an exclusive economic policy applied to the empires of the Haves.

In a recent article * we gave reasons for questioning the basis of such an exclusive economic policy in terms of our obligations as trustees for native interests. The attitude of mind that regards the colonies as "our markets" (in Mr. Runciman's phrase) is incompatible with the acceptance of trusteeship. It is equally incompatible with a sincere attempt to strike at the roots of international conflict by removing the just grievances of the discontented Powers. Imperial preference between the self-governing members of the British Commonwealth, each of whom can be relied upon to look after its own long-term interests, is an entirely different matter. As far as subject territories are concerned, there is only one policy consistent with equal access to colonial raw materials, and that is the colonial Open Door.

* See THE ROUND TABLE, No. 97, December 1934.

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I. THE MUSIC GOES ROUND AND ROUND

THE American commonwealth is an excited and confused place these days. All at once we are flung into the middle of one of our unbearably protracted presidential campaigns. We are paying on demand a bonus to war veterans which is the largest single hand-out in the history of any nation. We are involved in a fundamental struggle within our unique institution of judicial supremacy over executive and legislative branches of the government. We are engaged in revising our whole concept of war-time relations with other nations. Apart from the countless side issues, many of them of grave importance, there is the basic question of national recovery: of return to a normal economic structure in which people can find work through the established channels of capitalism, and in which vast doles to support more than a quarter of our people in one way or another will not be necessary. Yes, it is a crowded stage, with the orchestra blaring forth in its pit, and the gallery throwing down orange peel and peanut shells, and the people in the stalls setting up an apoplectic outcry.

To get the sense of the country today, we must start with people. Despite the fact that we are in an electoral year with all its tumult, there is the definite feeling that things are less feverish. The stock market, of course, is jittering up and down, aching for an excuse to fly balloons into the empyrean of inflation. But despite all temptations, the great break upward has not yet come. The American boom about which we have heard so much ever since 1933 is certainly not quite here yet. It is probably

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safe to say that the gases are hissing into the balloon faster than hitherto. No one can say when the valve will give way—or if it will give way. Skepticism is probably still the soundest emotion.

But people do not know much about the stock market. They only know about their jobs, and the price of groceries, and the weather. As to these fundamentals: jobs are easier come by than they were; groceries cost a little less than before the processing taxes of the AAA were upset by the Supreme Court; and the weather is very cold. But more people are in Florida than in any previous winter. They are not millionaires, but middle-class folk, who drive their own Fords down, or ride very cheaply on the buses, and live in tiny jerry-built apartments at small cost.

Our national economy is not yet healthy, there are still some 10,000,000 people unemployed, the national budget is in a cosmic mess; but people are in a good humor. The automobile companies brought out their "1936" models in November of 1935, and sold a mighty deal of cars, which is possibly as close as you can get to the great heart of the American people . . . except for the fact that we have just evolved a new nonsense song of particularly poisonous nature. It is a lineal descendant of "Yes, We Have No Bananas," and is called: "The Music Goes Round and Round and Round!" Probably by now it is afflicting the British public too. But philosophical essays could be—and have been—written on the fatalistic viewpoint of the American people, which is captured in that lyric. We are, as you see, getting closer than ever to the halcyon nineteen-twenties.

The year-end statistics were of course pretty rosy. That is, if you did not object to vast governmental deficits met by borrowing, and a load of retainers on the nation's shoulders who will be thrown off with difficulty. The plain fact is that many businesses are at last making money. With the end of processing taxes, many more hope to join the parade. There are bad spots in the national economy:

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too many people are on direct or indirect doles, too many have enlisted in the federal bureaucracy, agriculture has no way of taking care of the potential surpluses of a year or two hence, and quite possibly industry will again build up its own surpluses. Fundamentally, it is of course clear that the United States cannot be sound again until the world economic system is sound, and the interchange of goods and materials is established once more. But thanks to the stupendous siphoning of money out of the banks and into the public's pockets (and back into the banks again) we have a certain amount of a certain type of inflation. Thanks to the drought and to crop control we have pretty good farm prices, and excellent farm purchasing power. We also import a lot of farm products, but presumably sooner or later we will export goods to pay for those imports. Thanks to this improving purchasing power all round, industry is running fairly well.

It is a picture of apparent recovery at least, whether we are riding for a fall or not. It is hard to make up your mind quite how unsound the bases really may be. Our bankers and stock-brokers and many of our industrialists think it is all wrong, and blame Roosevelt for everything. One poor chap in New York thought about it so much that it affected his mind; he threatened the President's life and had to be put away. Plenty of others go almost as far. But they have been nearly as emotional for over two years now, and have weathered the storms, and today the Supreme Court is coming to their defense by scrapping the emergency institutions which are no longer life-belts but incumbrances now that we are in shallower water.

II. PRESIDENTIAL TIMBERYARD

THE fundamental division in the country is just what it has been all along: above a certain economic level, most of the people are against Roosevelt, and below that line most of them think he is their friend. This may be a

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regrettable drawing of class lines, especially in its bitternesses, but after all is it so very different from the line that separates most of the Labour party from the Conservative party? And is it not the introduction of reason and interest into politics, rather than arbitrary, confusing and almost meaningless distinctions between Republican and Democrat?

President Roosevelt is apparently confident and cheery. Those who see him twice a week for conferences notice a striking brightening since last summer. The change is evidently based on the President's conviction that the common man is with him. Many common men are, as we have seen, but politics in the United States never move altogether on these class lines. New England, for instance, although heavily industrialized, will probably vote as a bloc against Mr. Roosevelt, because of inherent sturdy conservatism in money matters and resentment against processing taxes, which seemed to penalize textiles. New York, New Jersey, and Pennsylvania, immensely important states, are now probably more adverse to the President than for him. If they go against him in the elections, he will have trouble winning. Their objections are like those of New England.

Mr. Roosevelt is still the only political target in sight, and he is beset by a powerful army of lively foes. They are thus far an irreconcilable faction of discontent, incapable of uniting on a single opposition candidate of any strength or character. The chances are that the Republican candidate will be a "dark horse," a man of no outstanding national reputation, but with fewer positive handicaps than any of the others. The decision will not be made until mid-June, and furious jockeying is going on between the eager rivals.

There are six men now in line for the Republican nomination. A survey of their personalities is revealing of the contemporary national scene. First is Herbert Hoover. The former President has been conducting a very successful speech-making campaign during the autumn and

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winter. He is "humanized," and has secured the services of a first-class secretary, speech-doctor, and advisor. This Crichton, one Ben Allen who formerly worked for the Associated Press in London when Mr. Hoover lived there, is just the chap who was lacking in the Hoover secretariat during the years in the White House. He has bushy eyebrows, placidly smokes a pipe, and has brought to Mr. Hoover a hard-hitting sort of good humor which reminds one very much of Mr. Stanley Baldwin's general technique. Mr. Hoover has now made four major speeches, each more poised and penetrating than the last. At his California home, amid the spicy eucalyptus trees, the former President is communicating with lieutenants all over the country, receiving assurances of support, and strengthening ties for the presidential nomination convention in Cleveland in June. Mr. Hoover has one tangible political advantage: as titular leader of the party he can fairly easily get together what are known as the "black Republican" delegates to the convention. These are representatives of the southern states which almost always go Democratic, but they are full-fledged voting members of the nominating convention. They make a powerful bloc. In addition, Mr. Hoover is showing all his old mastery of facts and statistics. Just so long as he does not have to initiate policy, and is relieved of the responsibilities of office—which overwhelmed and bore him down in a dread psychological sense—Mr. Hoover is a capable, successful, and even whimsical human being. He also understands the issues better than any other Republican.

Such are the Hoover assets. His handicaps, no less impressive, are the sum total of the depression years—the vast discontent of the country with his administration—and a feeling even among many conservatives that "we don't want to go back to Hoover." Set off against this, however, is an equally devoted group of admirers, some of them close personal associates, others who never saw Mr. Hoover but formed an almost religious admiration

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for him. These are the people who talk of "*dear Mr. Hoover.*"

But Mr. Hoover's chief obstacle is in the formidable person of Senator William Edgar Borah, the leonine veteran from Idaho. If Mr. Hoover has the best grasp of the issues, Senator Borah is the most capable at stating them. He speaks seldom, but when he does it is with masterly eloquence, patriotic fervor, and sometimes incisive logic. Senator Borah is a grand old man of American public life, but he will be 71 when the time comes for the next President to move into the White House. And beside all his eloquence, his flashes of pre-war liberalism—of "trust-busting"—is a good deal of inconsistency and opportunism. Senator Borah is a shrewd man, and while he inspires and thrills people he does not evoke confidence. Moreover, he has voted for many New Deal measures in Congress, is very unorthodox on monetary policy, and supported the most extreme form of crop control, a legislative abortion known as the Potato Act. Idaho raises many and huge potatoes, and Senator Borah acted in his constituents' interest in favoring a law which places a quota on individual production of potatoes, with a stamp on every sack put on the market. It was an unworkable law, and the Secretary of Agriculture has refused to carry it out—a curious anomaly in American government.

Senator Borah's chief motives in entering the presidential race, it is generally felt, are first to make certain of his own re-election to the Senate, and second to block Mr. Hoover, whom he distrusts with an abiding fervor. Some think that Messrs. Borah and Hoover will check-mate each other. It may be. But it is still possible that either Mr. Hoover's ready-made bloc of convention votes, or the magnetic lure of Senator Borah, may sweep the Cleveland convention from its feet, and nominate one of them. It is possible, if not probable.

Next in the list of candidates, and likeliest of all at this

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moment, is Governor Alf M. Landon of Kansas. Governor Landon is a successful oil operator, youngish, rather neat and handsome, frank and charming in his private manners, with a family of pleasing young children and a tactful wife. He has been a careful governor, has saved money for Kansas. Moreover, Kansas stands for a type of agrarian liberalism which has a homely appeal for the American people. Governor Landon is being built up as the "Kansas Coolidge," and that is a grand slogan for these fevered times. Moreover, he is keeping quiet in his state capital at Topeka, being nice to visiting newspaper correspondents and political moguls, and letting his friends spread his gospel over the countryside.

There is a great likelihood that Governor Landon will be the next Republican nominee for the Presidency. The only drawbacks are that he has never been proved to be of leader-like stature. His experience is very limited, he is not a good speech-maker, and some of his best friends used rather cruelly to say: "Alf Landon would make a good vice-president." But now they are eating their words. Daily, Governor Landon is a more reasonable candidate; amenable, uncompromised, without enemies. He strongly sympathized with the AAA—just thrown out by the Supreme Court—and has flirted with many New Deal ventures. But these dalliances may be assets rather than drawbacks. For the old-guard opponents of the New Deal cannot but vote for the Republican nominee, whoever he is, and Governor Landon's streaks of liberalism may bring some of the waverers into the fold.

Remain three lesser candidates. One of them, Colonel Frank Knox, is working very hard—too hard. His chances are already discounted because of over-eagerness. He is publisher of the *Chicago Daily News*, but that is no particular asset. His speeches and editorials do not reveal the saviour of America.

Senator Lester J. Dickinson of Iowa is a bitter and uncompromising enemy of the New Deal and of most

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things liberal. If the old-guard wing of the Republican party—the powerful ring mostly of easterners—controls the Cleveland convention as it has so many in the past, it may hit upon Senator Dickinson as a midlander who should have lived in Wall Street. If the campaign is war to the finish against all things Rooseveltian, Senator Dickinson is the man to send out barrages of hot-shot invective. But it is unlikely that things will sink to that pitch. If they do, Mr. Roosevelt will probably be re-elected.

Finally, there is Senator Arthur H. Vandenberg of Michigan. Senator Vandenberg is giving the best imitation of a dark horse that is within the histrionic or zoomorphic powers of a member of the United States Senate. For nearly three years he has been mentioned as a possible candidate, but he has taken no open steps toward the goal. There is a faint aura of liberalism about Senator Vandenberg. He was perceptibly unorthodox during the Hoover period, and has favored some New Deal measures. But principally, he is an unblemished candidate—your typical dark horse. Senator Vandenberg has been in the Senate through all the depression years, and has done little constructive. He is independent, however, and looks like a proper American president—broad brow, amiable face, rimless eyeglasses, nice smile, smooth hair. He would go well on the posters, and he makes a good speech. If the Cleveland convention is deadlocked, say between Hoover and Borah, and if Landon's strength does not shape up as expected, then Senator Vandenberg is in a highly strategic position.

Only when the candidate is nominated will the real presidential campaign begin; only then can we estimate President Roosevelt's chances of re-election accurately. But meantime a picturesque army of crusaders are shivering lances on the White House door. Mr. Hoover is in their van. Beside him is his erstwhile enemy, and Mr. Roosevelt's one-time bosom ally, the "Happy Warrior,"

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formidable "Al" Smith. Mr. Smith, the fine flower of New York's east side, once held the "common man" in the great urban centers of the nation in the hollow of his capable political hand. Perhaps, even now, his rasping voice and malapropisms keep their political magic. But his only recent appearance was in January at the lavish banquet board of the American Liberty League, the millionaires' organization of which he was a founder. This dinner, graced by no less than twelve members of the DuPont family of munition-makers, who largely finance the Liberty League, marked "Al" Smith's transition from the Man in the Brown Derby to the Man in the White Tie. With the brown derby, the political magic may have gone too. We cannot tell yet.

Attacking President Roosevelt are many conservative lawyers, such erstwhile Democratic leaders as John W. Davis, the urbane Ambassador to London and presidential candidate in 1924, and Bainbridge Colby, one of Mr. Wilson's secretaries of state. This group has unlimited financial resources, but across their brow is writ that political bugbear: "Wall Street".

Not so branded is another picturesque character, Governor Eugene Talmadge of Georgia. This gentleman is self-made. He was until recently the agricultural commissioner of his state, and rode into office by expert manipulation of a system of voting that is incredible in a democracy. In Georgia one vote in a hamlet in the hills is worth, by actual count, more than ten votes in the metropolis, Atlanta. Each county has a fixed number of "units," whatever its population. Therefore, by clever cultivation of the backward counties, you can get elected on a gross minority of votes. Governor Talmadge is an imitation Huey Long. He wears, and boasts of, a famous pair of red braces which were to have supplanted Huey's green silk pajamas. He has, too, a drooping forelock of hair in the best tradition of statesmanship. And he has a tongue dripping vitriol. He also completely lacks national

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political sense, and will probably turn out to be little more than a noisy nuisance. Today, as these words are written, he has nominated himself for the presidency.

The Huey Long organization in Louisiana did not crumble with his death, as many expected. By virtue of many political devices invented by the late dictator, his mob rules still. It is a pack of little men, however, and ultimate disintegration seems inevitable. Such is state government in the United States, reduced to its lowest level. Viscount Bryce knew all about this; *The American Commonwealth* is a good text on Huey Long. But such is federalism.

III. THE COURT AND THE NEW DEAL

ONE comes thus naturally to the question of the Supreme Court, which threw out the Agricultural Adjustment Act on the ground that it contravened states' rights. The NRA was disposed of on very similar grounds: the inadequacy of the interstate commerce clause of the Constitution. Other ambitious ventures of the New Deal seem on the same dangerous precipice.

This is no place to argue the merits of the Supreme Court's present stand. The NRA was thrown out—unanimously—and people could not complain much. The law was not in doubt. But the AAA went down under a 6 to 3 vote. The three men in the minority were eminent jurists: Justices Stone, Brandeis, and Cardozo. One could not question their honest interpretation of the law. The same regard should be shown to the majority, although it is true that all three minority justices have had far more eminent legal careers than at least three or four of the majority, who were political appointees, and make no secret of their heartfelt conservative convictions.

Such closely divided decisions leave the nation in grave doubt. Many eminent scholars consider that the Court's decision was based on political rather than judicial grounds.

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It is perfectly evident that this was so, and it is not insulting to admit the fact. For the terms of the United States Constitution are very general; some phrases may have several interpretations; the protection of the "general welfare" is indeed a broad provision. Upon what basis, then, should a judge make up his mind if there is no legal distinction to guide him? Must not the very fundamentals of his thinking come into play, and if these fundamentals are openly, deeply, and sincerely conservative, why must he not reflect them?

All the same, the country stands by the Supreme Court. The American people have a deep, inbred respect for the Court. Abuse of its decisions was far louder in every generation in American history than it has been in the present crisis. Gutter language has been heaped on the Court so recently as the present century by eminent men. Not so today. Criticisms were couched in reasonable language; abuse was in private. It is not flippancy to say that Mr. Chief Justice Hughes—he of the olympian beard—has enabled the Court to hand down inescapably "political" decisions with dignity and in shining armor.

The country stands by the Court. But it is only because the instruments now being thrown away by the Court have outlived their acute and sudden necessity. Had not NRA taken up the slack in 1933, had not AAA succeeded in cutting farm surpluses and raising farm purchasing power, and had they been in full play now, it would have been more difficult for the Court to end them. But the emergency has largely passed; it may come again, particularly on the farms, but the government will continue to send out checks for many months, prices are good, and crop surpluses do not yet overhang the market.

The issue of judicial supremacy is still with us. But without a radical overturn in our political structure, it will always be there. Much more likely is a change in the Court's personnel. Two-thirds of the judges are very old men, and one tries to be realistic but not morbid in

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thinking that President Roosevelt—certainly if he is re-elected—will have the opportunity to enlarge the “liberal” minority of three to perhaps five or six.

The Court has no opportunity to overthrow our most striking, and, to many people, our most fantastic ventures. The soldiers’ bonus is law over the President’s veto, and by July its two thousand, four hundred and ninety-one millions of dollars will begin to pour out over the land. The United States, which has already been open-handed with its war veterans, embarks upon the greatest Santa Claus adventure in world history. Bonds or cash will go out to about 3,518,000 veterans. A total of 36,724,279 bonds of fifty dollars each are being distributed. Payment on many of these has been anticipated, so that the total cash which will start in circulation in July may be less than two thousand millions of dollars. But, whatever the equities involved in this wholesale raid on the Treasury, the burden on the government is little different from what it would be if we had to fight a medium-sized war, or built a big navy, or disbursed relief doles half the amount of those we are giving out in the present fiscal year. It is nonetheless the most extreme example of pressure-politics. The veterans, operating chiefly upon individual members of Congress in their own districts, held a terrifying whip hand.

But the major factor in enacting the Bonus Bill was Franklin D. Roosevelt, who curtly vetoed it. For President Roosevelt began the era of big spending, providing people with the argument: “Everybody’s getting it; why not us?” Morally, Mr. Roosevelt could not stop the Bonus Bill. His own hands were not clean, however impeccable his reasoning may have been against the Bill itself.

And—to end this letter in the same place as it started, with ordinary people—the bonus viewed from the middle-class fireside is very different from the bonus in government or fiscal theory. As the Senate passed the Bill over the President’s veto, I sat in the gallery with a young

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matron, a relative. Her family has been having a rocky time. The husband, a war veteran, invested his small capital in a wholesale hat business, which is almost failing. Their weekly income is pitiful. They have never taken a penny of public charity.

But what they intend to do with the bonus! First the wife is going to discharge a long-standing account at the grocer's—(there has been precious little trading at the butcher's for them lately). Then they are to pay the dentist, who needs his \$45 badly. Next comes the roof of their house, sadly dilapidated. Next—they hope—will be two new easy-chairs for the living-room: the old ones are dreadfully shabby and the springs are broken out. But most important of all, they are going to buy back their life insurance, which has been in jeopardy for several years, the charges paid with hardly borrowed money. This is, I know, a Sunday-School sort of picture, but it is true. Many other veterans will blow-in their money for new motor cars, and trips to the mountains, at the races and for drink. But the money will circulate. My relative, it happens, is a moral victim of the war. His whole life was unsettled, he might have been a successful rather than a poor hatter, and his wife might have had a happier life had not his country called upon him for a sacrifice. But now that we are in an era of vast spending, now that money is being siphoned out of the banks to "prime the pump" of recovery through public works and relief and what-not, the veterans insist on their claim. It is easy to condemn them and their methods: easy, everywhere except at their fireside.

And this is true because Americans, more than most other people, have ceased to believe in the old economic laws. That is why the Townsend Plan of \$200-a-month old-age pensions has amassed enormous political support. The old laws seemed to fail. The new ones don't work either. We are adrift, and will tie any sort of shirt to the mast so long as it catches a breeze. Perhaps, after the

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next election, we will turn back into traditional channels. Perhaps the Supreme Court has already turned us back into them. But if it has, we have not yet quite recognized the landfall.

IV. FOOTNOTE ON NEUTRALITY

THE international public has latterly heard a good deal about our efforts to work out a war-insulating form of neutrality; that is why this letter has not expanded on the subject. The question is now in flux. Before the Congress are two very similar Bills, providing for obligatory arms and financial embargoes, and war-materials embargoes optional with the President, to be applied impartially against all belligerents. The Bills contain many confusing clauses. One, for instance, deliberately condemns the doctrine of the freedom of the seas, while another insists on our neutral rights as of August 1, 1914.

Until some definite legislative action is taken, one must reserve interpretations. But it is possible to describe the forces at work. Basically, the American people are still anxious to keep out of trouble, are determined to prevent the money-motive from getting us into war. President Roosevelt and Secretary of State Hull share these views, together with a keener appreciation of the need for discreet collaboration with the collective-action machinery. This latter motive is suspected, and distrusted, by the Senate. Moreover, a group of ultra-nationalist senators, including the old redoubtables, Hiram Johnson and William Edgar Borah, are working behind the scenes to prevent any "surrender" of American "rights". Exporters are also at work, not the least of them the cotton and oil men, realizing at last that they are being called upon to approve a self-denying ordinance. Italo-Americans are intensively lobbying. Students of world affairs, the American habitués of Geneva, object to the neutrality Bills because they close the direct door to collaboration with sanctionist States—however open the back door may be, as in an "impartial"

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embargo against both Italy and Ethiopia, which would really penalize Italy. Out of these conflicting forces—which have stirred up the most salutary debating and thinking—may come at first little more than an extension of last August's arms embargo resolution. But ultimately our re-examination of our position, despite the trend toward isolation, ought to lead to clearer executive policy. It is important to realize that assertion of neutral rights—as in the last war—is primarily an executive matter. We can “wage” neutrality or we can remain neutral or we can collaborate with sanctionist Powers, provided there are any. We know the choices, and when or if European conflict breaks out, we will be a little better informed than we were in 1914.

United States of America,
February 1936.

RUDYARD KIPLING

A FEW days before the death of the Sovereign of the Empire there passed away, at the same age of seventy years, the man who in the early prime of his life had been acclaimed as its prophet and its singer.

It is too early yet to attempt to determine Rudyard Kipling's place in the history of English literature, but this at least can be affirmed, that despite any defects that can be alleged against his work—its occasional tawdriness, or its lack of self-criticism—he was a man of genius, real, fresh and vital. And to him as to other men of genius it was given to kindle his torch just when men needed its flame. There was a twilight over the literature fashionable in the London of the late 'eighties and early 'nineties of the last century. *Fin de siècle* it was called. Too much of it smelt of pessimism and decay. Into this unhealthy atmosphere came Kipling with his *Plain Tales from the Hills*, his *Life's Handicap* and the *Barrack-Room Ballads*, like a great wind from the sea; and the Green Carnation withered and the Yellow Book turned pale beneath the blast. Men looked up from his stories of private soldiers, or of district officers going strongly and silently about their unnoticed work on the sweltering plains of India, and—"strong silent men" not having yet become a jest—thought afresh, or thought for the first time, of the vastness of the responsibilities of Empire, of its burden and of its glory, of the dust and the palm. And because England was, in Kipling's phrase, "the powerhouse of the line," they thought afresh of England herself and of her mission in the world. Kipling became the inspiration in the imaginative sphere, as Joseph Chamberlain was in

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the political, of the imperialism of the twenty years that followed his first appearance in the great world. Those twenty years were no unworthy period of British history.

Looking at Kipling purely from the literary point of view, the critic might hazard the conjecture that if any of his work is destined for immortality it is his prose rather than his verse. Confident prediction on such a point would be dangerous indeed; for it is given to no man to know of the gems fashioned by a contemporary craftsman whether they are jewels such as will

“on the stretch’d forefinger of all Time
Sparkle for ever”.

Yet it may surely be claimed for Kipling that he ranks with R. L. Stevenson as one of the greatest masters of the English short story. His technique is all his own. His style is *staccato*, vivid, vigorous, pulsing with life. His range is immense, from Private Mulvaney to the technical details of machinery, which become in his hands a living thing, as in “The Ship that Found Herself”; from the beasts of the Indian jungle through all the ages of British history to the English countryside and the imaginative beauty of “They” and “The Brushwood Boy”. And his short stories are told from pure love of the subject-matter, from the sheer love of the telling. Although they have powerfully influenced men’s thoughts, they are not didactic. Hardly ever, though “The Mother Hive” in *Actions and Reactions* might be cited as an instance to the contrary, are they tracts for the times; and, as with all art, the lessons they have to teach are the more lasting for that.

The same literary claims could hardly be made for Kipling’s poetry. He was at his best an admirable verse writer, a brilliant epigrammatist. His line, “What should they know of England who only England know?”, hackneyed as it is, may serve as an illustration. Much of his verse has a fine heroic ring; he has moved the hearts of

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men; he is powerful in invective, witty in satire, always eloquent; and at times he reaches real lyric beauty, as in

“ There’s a whisper down the field where the year has
shot her yield,
And the ricks stand grey to the sun,
Singing : ‘ over then, ease over, for the bee has quit the
clover
And your English summer’s done ’ .”

Or in

“ Cities and Thrones and Powers
Stand in Time’s eye,
Almost as long as flowers,
Which daily die.”

But his lack of the critical faculty sometimes allows him to let a thoroughly bad line stand next to a brilliant one; and whereas we do not scruple to rank his short stories with the best in the language even the very best of his verse could not bear comparison with the great things of Wordsworth or Keats.

Moreover—and this perhaps matters more—if there was in his imperialism anything that was blatant, anything that might offend the sensitive by an appearance of exultation in mere power as such, it was in his verse, not in his prose, that it showed itself. His verse, unlike his prose, is sometimes didactic, written for a purpose—witness, for example, “The Islanders.” When he assumes the rôle of the super-journalist or political pamphleteer, verse, not prose, is his medium; and because his vigour was little calculated to conciliate an opponent it was often possible to foretell, from an acquaintance with a critic’s political opinions, what would be his judgment of the literary merits of a poem by Kipling. So it was that while to a multitude of plain men, and not to them only, he was the unofficial Laureate of the Empire, to John X. Merriman at the

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Cape, an old Liberal of the Gladstonian school, he was "a rowdy Tyrtaeus".

In itself his political philosophy was, as he was, robust and manly. His call was to service, to effort, to sacrifice for a worthy end; and, to him, no end was worthier than that of the unselfish government of primitive peoples. Certainly he preferred good government to self-government. He is not, indeed, always consistent. In "Kitchener's School" he writes with approval of the stage that is reached when peoples once subject are able to

"Make laws of their own choice and Judges of their own blood;

And all the mad English obey the Judges and say that the Law is good."

But there is a more authentic ring about the lines

"Take up the white man's burden—

Ye dare not stoop to less—

Nor call too loud on Freedom

To cloak your weariness."

And in post-war years Kipling may have felt that there was danger lest that warning be disregarded. But Kipling's work was done. What there was of dross in the earlier imperialism was purged from it by fire, and the ultimate doctrine remained, that the essence and justification of empire are duty and service, and that the highest possible service is rendered to the world by a ruling race, their duty is most fully done, when, as Kipling said, they

"Show all peoples their magic and ask no price in return."

And that magic is training for self-government and its eventual realisation—by peoples really fit for it.

Kipling mellowed in later life, like other men. For all

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his far-flung patriotism the core of his devotion, as that of every patriot must be, was to his own home.

“God gives all men all earth to love,
But since man’s heart is small,
Ordained for each one spot should prove
Belovèd over all.”

Let us now praise him among our famous men; for he was of “such as found out musical tunes, and recited verses in writing.”

AN INDIAN MISCELLANY

I. ECHOES FROM ABYSSINIA.

INDIAN interest in Abyssinia has continued to be keen, and few British adventures in policy can have given better opportunity for mordant comment than the Hoare-Laval peace terms of December. The general opinion here was that the arrangement of these terms was statesmanship at its nadir, inasmuch as they were at once discreditable and foolish; while a statesman may be occasionally one or the other, he should never be both at the same moment. The Indian press, with our leading Anglo-Indian newspaper, the *Statesman*, in the van, took a serious view of the proposals, and the *Statesman* from the first regarded them as involving inevitably Sir Samuel Hoare's position at the Foreign Office. His resignation provided abundant scope for press comment out here, a favourite line among nationalist papers being that the late Foreign Secretary had taken on a self-sufficient tinge as the inevitable result of his years of too little controlled sway at the India Office, and that his fall was due to a failure to realise the difference between matters on which the British people has views and passions and those on which it has not, that is of course to say, Indian affairs generally.

The proposals dealt a severe blow to British credit in India, and the general feeling is one of resentment at what is regarded as an almost intolerable cynicism. Here and there comes a recognition of the fact that conditions of administration and government in Abyssinia leave much to be desired, and that resentment at Italian *zabardasti* should not be allowed to obscure the truth that the Abyssinian system is anachronistic and oppressive. The view of the

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general public, however, is fixed on the fact that the proposals would give to the aggressor most of what he had committed his aggression to gain. In other words, the judgment is by morals, not expediency, and issues taken to this touchstone do not readily admit any other adjudication. It is difficult not to feel that the Hoare-Laval conversations were entered into too lightly, without sufficient regard for the susceptibilities of such elements in the Empire as India. From one point of view the old issue has been brought up again, whether in foreign affairs of this scope the British Foreign Office should operate alone.

II. FIFTY YEARS OF CONGRESS

ON December 28 the Indian National Congress completed fifty years of life. This half-century has coincided with the development of an Indian as distinct from a regional or linguistic self-consciousness; and those who dislike or condemn the Congress and its works forget too readily that the organisation with all its faults has been primarily an expression rather than a purpose. A distinguished English historian has recently found in the continuance of the Westminster Parliament and its faculties of discussion, criticism, complaint, even under the more rigid and unrepresentative Administrations in the United Kingdom, the real reason why periods of depression, unemployment, hardship and excitement in the past century and a half have passed off without even an approach to civil war, or indeed anything but minor *émeutes*. The British people ought then to be grateful to the Congress; for during its fifty years it has provided just such a safety-valve, far more limited, no doubt, at least till after the Great War, but performing always that invaluable function.

The British are apt to pride themselves on not being logical, a misdirected conceit that arouses frequent exasperation among such peoples as the French; this exasperation is not unreasonable, for if we wish to pride ourselves on not

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being logical we should not be surprised or resentful if the application of empirical methods towards peoples who do proceed by reasoning brings difficulty and trouble. The British introduced English education into India, and all the brighter intelligences were set to work reading the gospels of British political liberty, from which it would seem the most obvious consequence that these gospels should proceed at once to an Indian translation. Few things have more vexed the thoughtful Indian politician than this action of deliberately exporting British political theory and yet apparently marking it "not for consumption in India". If the Congress is regarded primarily as an expression and only secondarily as a purpose, a better idea will be gained of its true place in the life of India. One does not sit on safety-valves, but at times British Governments have come perilously near doing so.

The fifty years of Congress activity could be fairly separated along the line 1920. During the first of these periods the Congress was essentially a critical but a constitutional and co-operating body. Some attribute the post-1920 developments to a single source, Mr. Gandhi; but while his influence has been profound in both tenets and methods he has been rather the channel that carries and guides than the actual stream itself. That stream was the war. It is true to say that if Great Britain has had a multiplicity of troubles in India since 1920 she has made them herself, or at least shares with the rest of Europe the credit or blame. The spectacle of Christian and civilised nations, hitherto respected without question as the leaders of the world in every zone of human effort, slaughtering each other in a wild and useless abandon, tore the veils from other eyes than those of their own more thoughtful inhabitants. Where respect goes, affection cannot linger. Seen from this angle, the development of the Congress towards distrust, opposition, independence and violence signifies a moral as well as a political repulsion. If the Congress methods of propaganda and mass intimidation

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are condemned, it should be borne in mind that the principle of peaceful persuasion, cast overboard so ruthlessly in Europe in 1914-18, should not be expected afterwards to function inviolate in India—or elsewhere; the world is too small now for that. Europe is in a glasshouse; unless it improves its manners, the stones it throws will injure itself far more than its neighbours.

III. LIBERALS AND THE NEW CONSTITUTION

CHRISTMAS time in India is conference time, and the interval from Christmas to New Year always sees one or other prominent town in the country housing a meeting of Congress, or the Liberal Federation, or the Women's Conference and so on. (Congress, however, is showing a tendency to abandon the hitherto favoured season.) The Liberal Federation's assembly took place this year at Nagpur, under the presidency of Mr. Venkatarama Sastri. In the course of an interesting address Mr. Sastri was at pains to indicate the extent to which the Liberals are ready, indeed willing, to march alongside Congressmen in their national activities.

We are colleagues in effort and brethren in service, and we gladly extend to them our hearty felicitations and good wishes, in the full trust that, moving along different paths where we must, and treading the same paths together when we may, we shall one day achieve the freedom and the glory of our own Motherland.

A Congress daily of Delhi interprets this statement to mean that the time has come when the old Liberal creed of co-operation with Government wherever possible and opposition when necessary should be reversed to opposition wherever possible and co-operation when necessary. Although the wish perhaps was father to the thought, the belief is not without justification, and there was much in the Liberal President's speech to indicate a certain weariness, if not despair, at the years of disregard that have accompanied the Liberal endeavour to be different. It has

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always been the British practice to take their friends for granted and try to conciliate their enemies. It is not a policy that tends to the popularity of the British people or their Governments, and is perhaps less likely to succeed in India than anywhere else; for a country of realists will never be under any illusions as to motives.

Mr. Sastri's speech indicated some regret that the Government of India Act was ever passed. We could, he said, have gained all that the Act gives us through modification of the Montagu-Chelmsford constitution by rules under the 1919 Act; that this did not ensue was due to Congress intransigence. Thus India had waited eleven years for something at once more rigid and in itself objectionable. He interprets the retention of the 1919 preamble, about which so much was said—rather unconvincingly—by the Secretary of State and others, as in effect meaningless and as a promise worthless. The preamble referred to the centre and the provinces and to British India only; its retention, therefore, is inadequate to assure Dominion status to federated India.

On the other hand, as I understand the Act, it denies Dominion status to India. It has erected, as far as the combined ingenuity of lawyers and parliamentary draftsmen can erect, barricades against full Dominion status ever being reached.

Another point of grievance was that while Indian States come into the federation their residuary sovereignty remains wholly outside it and outside the control of the Governor-General. "At no point of time, even after the federal government has become fully responsible, can the Indian States come fully into the federation".

Other criticisms of the Act, familiar from comments in past months, were repeated with little that was new. The safeguards, which to Indian political opinion are the most painful feature of the Act, came in for specific condemnation, particularly the fiscal and commercial safeguards. "No safeguard is so sinister-looking as these, and no part of the Act is conceived in such contemptuous disdain for Indian

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interest and Indian self-respect. . . .” Mr. Sastri summed up by saying that power is not relinquished and the old instrument of control will remain, the Secretary of State operating through the Governor-General and Governors and services, protected with special care and empowered to thwart the action of the Ministers.

He came then to the real point of his speech. “What then must we do?” His answer was unequivocal and showed both a grasp of realities and a capacity for clear statement. “If you do not work the Act, the Act does not thereby become unworkable”. This is a view that had been expressed already, but not hitherto in such circumstances or by the President of an All-India political body. He pointed out that though Congress and other parties might refuse to work the reforms there would always be a residue who would, and that what must be avoided at all costs was letting the new governments fall into the hands of these acquiescents. Here, in fact, he gives public recognition to what has been the conviction of all those who have studied the political situation from outside: whatever the dislike of the Act, whatever the resentment against administrative policies or conditions imposed, no political party in India is prepared to stand aside and see its rivals step in to seize the booty of power and privilege. The Act will be worked, but almost certainly not in the way that its framers in the British Parliament expected or hoped when they passed it. It is a wise father who knows his own child, and some of the developments of this Act will cause more than surprise to its British progenitors.

IV. THE SERVICES PROBLEM

GENERAL attention has perhaps been attracted more towards the Delimitation Committee than towards the other committees perambulating or about to perambulate India, although it must be said that interest in any such bodies is rather languid now—there have been too many of

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them in recent years. The delimitation enquiry, however, is at best only a matter of detail, and it seems more than doubtful whether it was really necessary to send out this body from the United Kingdom at all. The essential matters of principle in the electoral scheme were settled long ago, namely, general *versus* separate electorates, allocation of seats to communities, the size of the legislatures and the level and scope of the franchise.

As for the Niemeyer enquiry into the financial aspects of federation, the general problems arising in connection with it are so wide that they would provide material for a book or books in themselves. Another committee much less heralded than these is that under the chairmanship of Sir Henry Wheeler, which came out to investigate the central secretariat system in India. If one remembers that India has been ruled by a bureaucracy for many years, and that the key posts in that bureaucracy have always been held by members of an all-India service who belong in the first place only to provinces and not to the central government, it becomes clear that any decision to create a self-contained central secretariat would mean a complete departure from the present practice. Practically every member of the Indian Civil Service serving with the Government of India has his permanent affiliation with a province, which spares his services for shorter or longer periods to the central government. Thus the higher posts in the Government of India secretariat are all held by men with provincial experience and affiliations. Normally all provinces are represented, though there is no rigid allocation; hence a direct provincial connection is retained. If the Government of India secretariat were to become a "closed system", this contact would be lessened and there would emerge a bureaucracy scarcely less remote than that of Whitehall.

Since provincial autonomy is at hand in the provinces, the chief justification for all-India services at all will shortly become the fact that they meet the all-India needs of the centre. If the central system is closed, then the all-India

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aspect of the services recruited for the provinces disappears, and there will soon arise in a pronounced form that "problem of the services" of which so much has been heard in recent years. The conditions in the central secretariat could not be considered apart from the whole question of these all-India services, certainly of the I.C.S. There have already been sufficient complaints, some of them not without justification, of the detachment of the Delhi-Simla bureaucracy from the real problems of India. The Government of India Act contemplates the continuance, during the transitional period, of government by the Governor-General in Council under the terms of the present Act. At present, therefore, the government is to a large extent irresponsible, and it would seem inadvisable on general principles to entrust the last word to the deliberations of a secretarial caucus. When power is transferred to the federation, the secretariat must inevitably become less of a governmental and more of a purely administrative machine.

One specially interesting point that has been raised is that the States have a claim for representation in the central secretariat even now, and will have a still better claim in the future. This is a development which must indeed be recognised as inevitable. So long as India was a free-trade country with a negligible import tariff, the administration at Delhi-Simla did not really affect the States. With the building of a high tariff wall, this position has been entirely altered. When the central government, advised by its secretariat, considers such matters as the height of the customs wall and the openings in it, those affected naturally demand a say. One of the chief compelling agencies towards federation, or at least the association of the States with British India in a common government, is the pinch on the pocket. It may be that the true begetters of federation are not Mr. Ramsay MacDonald, Sir Samuel Hoare or the other leading figures at the Round Table Conferences, but the first post-war executive Government in

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India, which in the face of mounting deficits and cries for protection laid the first courses of India's present tariff wall.

The services problem has always suffered, particularly in recent years, from its too great popularity in the United Kingdom, and from the too common habit of discussing it in isolation from the problems of India, present and future. The commitments and promises in regard to the services could be charged with the same fault as the safeguards and other elements of the Government of India Act, namely, an excessive rigidity and a too obvious external aim. In both cases, but particularly in that of the services, reasonable assurances could surely have been given in a less provocative form. As it is, detachment and breadth of view are hardly ever to be found on either side in present-day discussions, though in a country with a tradition of authoritative administration stretching back through centuries the choice, remuneration and treatment of public servants are of peculiar importance. Here, as at so many other points, there enters the element of status. India, the argument runs, left alone to arrange the terms of those who are to serve her and whom she will pay, would give every man and every claim their due. India, however, in face of an apparently indefinite flow of agents thrust upon her from London on terms dictated from the same place, regards these men's presence as another slight on her nationhood, with the inevitable result that the problem is no longer judged on its merits.

V. COMMUNAL FRICTION IN THE PUNJAB

THE Punjab has been considerably agitated of late by what is known as the Shahidganj trouble. This reflects Moslem irritation at the Sikhs' retention of a former mosque, and a refusal, not uncommon in India, to admit that legal pronouncements on title and prescription have any bearing where religious edifices are concerned. The crisis came in September in Lahore, when a party of

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Sikhs actually pulled down the building in question, and for some time afterwards Lahore was more or less an armed camp. Since then there have been recurrences of trouble, and indications are not wanting of the hand of the agitator or the *agent-provocateur*. The better elements on both sides have recognised the undesirability of a white-hot communal feud on this issue, but the trouble-fomenters, so common in India, have hitherto been able to keep the embers smouldering.

Nothing can excuse the original action of the Sikhs who pulled down the mosque. In the circumstances in which it was done it was an act of wanton folly and malice, and it is one of the penalties of human existence that we—and others with us—pay for our follies as dearly as for our villainies, if not still more dearly. The local Government took a serious view of the matter from the first, and it is thanks to this and to the support that its measures have received from the better elements that Lahore has seen no shambles.

The dispute is not only religious; nor are the passions that inflamed the Moslem mobs traceable only to this source. These Shahidganj disturbances are in reality one expression of the hopes and fears aroused by the impending reforms. The Communal Decision was the inevitable cutting of a Gordian knot, but like all such measures it could not fail to leave unresolved problems behind. The 51 per cent. majority in the future Punjab legislature secured for the Moslems by the Communal Decision causes the Sikhs and Hindus in the Punjab to feel that they are entering the new régime under a handicap; while the Moslems feel that they are about to enter upon a heritage. Recrimination has long been active and its consequences are visible now. Such manifestations of communal friction may be even more serious in future than they have been in the past. Given the conditions in the Punjab, however, this, like the teething of a child, is a first stage through which any province must pass, and much will depend on how authority handles the position, now and even more so in the first years of the new

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régime. Hence the selection of first-class men as Governors, at the outset and during the early years, is a matter of the very greatest importance.

VI. A HARIJAN REVOLT?

ONE of the most striking incidents of recent months was Dr. Ambedkar's declaration that the promises of amelioration made by Hindus to the depressed classes had not been fulfilled, and that these classes would now look round for some more kindly environment. He himself would not die a Hindu. The effect of a wholesale shift of allegiance by the depressed classes to some non-Hindu community aroused both consternation and hopes, and offers were made on behalf of Sikh and Moslem organisations promising concessions and equality to depressed class recruits.

It is doubtful, however, how far Dr. Ambedkar could bind his fellows in a matter of this sort. The depressed classes are and feel themselves still Hindus, despite their unfortunate position in the Hindu community; and the suspicion that personal resentments enter into this as into many other of Dr. Ambedkar's pronouncements is probably well justified. It would not be unjust to say that Dr. Ambedkar's attitude could be described as anti-Gandhi rather than pro-depressed class. The differences between the two leaders, which go back several years now, were last prominently illustrated at the time of the famous fast, when the depressed classes leader made skilful use of the emotional disturbance among Hindus to secure a much-extended representation for his community in the future legislative Houses. Emotion, soon and steadily regretted, led to the Hindu pressure for approval of the famous Poona Pact. Lack of emotion, or its control by interest, enabled Dr. Ambedkar to drive the hard bargain that the Pact represents.

Dr. Ambedkar's present *démarche* gives the cynical observer occasion for some comment; for the whole

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circumstance vividly illustrates the singularly unreligious atmosphere of Indian religious controversy. In essence this is at once a social quarrel and a political opportunity, and as such it is regarded by Moslems and Sikhs and the wiser Hindus. Whether the depressed classes will be wise to abandon Hinduism is another matter, and it may indeed be doubted whether the large extension of representation secured through the Poona Pact will really be to their benefit. For unless representatives are active, sincere and united, mere numbers in a matter of this kind have less importance or value than is generally attributed to them. One of the great dangers that the depressed class cause will run is that its interests may be neglected or sold by incompetent or venal representatives. The application of the panel procedure is of particular interest, and on no point will the recommendations of Sir Laurie Hammond's committee be more anxiously awaited. It is not too much to say that the panel procedure is as capable of destroying as of creating the effective and powerful depressed class *bloc* it was meant to produce in the legislatures of the new era.

VII. KING GEORGE'S DEATH

NEWS of His Majesty's death came after the above had been written. India retains much of her faculty of reverence for the person of the monarch, as distinct from the authority of his Government, and there is a widespread and genuine regret at the passing of one whose great qualities have become more and more appreciated in recent years. India looks back on the crowded twenty-five years of his reign, remembers the succession of storms and difficulties, and realises how true a course King George steered on a compass bearing that pointed ever to duty.

References in Indian journals have been sincere and impressive. It would have been easy to emphasise a distinction between the monarch and his Government, and to use a lament for the passing of one to deplore the

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continuance of the other; it is to the credit of the Indian press that the temptation was so generally resisted. No one could have failed to be impressed, for example, by the restraint and dignity of the usually outspoken *Amrita Bazar Patrika*, which in a finely expressed tribute declared: "For good or evil England and India are bound together; one of the strongest links in the chain which binds them together is undoubtedly the Throne". British statesmen and citizens could well fasten on these words as a motto to keep ever in mind in the difficult times before them.

India,

January 1936.

MR. DE VALERA'S FIFTH YEAR

I. THE DEATH OF KING GEORGE

IN conveying the sincere sympathy of his Government to Her Majesty the Queen on the lamented death of King George the Fifth, Mr. de Valera was the spokesman also of the great majority of the Irish people. The death of no other British monarch has been so mourned in Ireland, and this is one of the best tributes to his memory. Although he visited Ireland only twice during his reign, and although his position precluded him from publicly expressing his feelings about Ireland, the wireless made his voice and personality familiar, and the Irish people cannot forget that on two occasions, at least, he publicly intervened to try to improve Anglo-Irish relations; once on the occasion of the Buckingham Palace Conference, just before the outbreak of war in 1914, and afterwards when he opened the Northern Ireland Parliament at Belfast in 1921. It was on this last occasion that, on his own initiative, he appealed to all Irishmen to pause, to stretch out the hand of forbearance and conciliation, to forgive and forget, and to join in making for the land they loved a new era of peace, contentment, and goodwill. It was then, also, that he reminded us that the future lay in the hands of the Irish people themselves, and expressed the hope that the opening of the Northern Parliament might be the prelude of a day in which the Irish people, North and South, under one parliament or two, as those parliaments might themselves decide, should work together in common love for Ireland upon the foundation of mutual justice and respect. Those memorable words coincided with the end of the Black and Tan terror, and were followed by the

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Treaty of 1921. If their full fruition was, unfortunately, denied to King George, through no fault of his own, one can only hope and pray that their harvest may, perhaps, in the fullness of time, be gathered by his successor.

II. THE GOVERNMENT'S EVOLUTION

MR. DE VALERA'S Government are now entering on their fifth year of office, and, since the normal life in office of an Irish political leader is usually ten years, he, and they, are probably at the height of their power. Their achievements to date are by no means negligible. They promised in 1932 that, if returned to power, they would abolish the oath of allegiance, withhold the land annuities, and reduce taxation. The first two objects were comparatively easy to achieve; the third proved impossible. Direct taxation has, in fact, increased since 1932 by £6,000,000, and indirect taxation by more than half that sum. Moreover, the abolition of the oath of allegiance did not placate the extreme republicans, and needlessly embittered our relations with Great Britain; while the withheld land annuities have been more than fully paid through the penal duties imposed on Irish agricultural produce by the British Government. The net result of their action has been, in fact, to deprive the Free State in four years of national income sufficient to pay the land annuities in full for nearly twenty years. On the other hand, the constructive side of their policy has included a bold, and very necessary, housing programme; an intense, if somewhat rash, industrial development, buttressed by the restriction of imports and increased credit facilities; and several measures of social reform, designed to improve the general standard of our national life.

But perhaps the most beneficial result of their administration is that they themselves are slowly but surely gaining a sense of responsibility. Experience of the problems and difficulties of government is teaching them to eschew wild

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talk, and to hasten slowly. We are apt to forget that although we have an ultra-modern democratic constitution, which we are gradually pruning, we have also a shorter experience of national responsibility than any other people in western Europe; for we have enjoyed local government only since 1898, and self-government since 1922. Democratic rule in the Free State was also challenged in its cradle, not only by mob violence, but also by organised military force, and both were defeated. We must, therefore, be patient, even if it takes another decade of self-government to teach us common sense. Mr. Sean MacEntee, the Minister for Finance, has recently, when speaking in the Dail, admitted in unconditional terms that Mr. Cosgrave's Government established the principle of majority rule in the Free State, and he added that the present Government intended to preserve it. Such a confession is eloquent. That the Government are in earnest in this matter is proved by Mr. de Valera's recent refusal to revoke the order made by his Government in 1933 bringing into force Article 2a of the Constitution, better known as the Public Safety Act,* under which the Military Tribunal operates; because, although there had been, he said, a decided improvement in the situation in recent months, organised crimes of violence were still occurring with which the ordinary courts could not deal effectively. This last statement is, unfortunately, only too true, as recent events have proved.

The annual congress of the Fianna Fail party, which was held during December in Dublin, provided additional proof of the Government's growing sense of reality and responsibility, and even of their followers' return to common sense. The resolutions for discussion were not as absurd or extreme as in former years, and the Ministers showed both courage and good sense in dealing with the demands put forward. This was particularly noticeable during the discussions on ground rents and banking. Mr.

* See THE ROUND TABLE, No. 85, December 1931, p. 142.

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MacEntee, the Minister for Finance, told the delegates, in reply to a demand for sweeping reductions of urban ground rents, that these, unlike agricultural rents, could not be reduced or confiscated, and also that some of the wild talk he heard about the banks only displayed the ignorance of the critics.

Mr. de Valera himself, in a long and not very lucid speech, although making his usual claims for the Government's achievements, was careful to raise no false hopes about the future. Their fundamental aim, he said, was to try to secure that the people of Ireland would be a united state, and have the freedom that the majority of them desired in republican form; but, he added, they should not be in too great a hurry about it, and, by some strange inverted process of reasoning, he cited John Redmond, most moderate and reasonable of Irish statesmen, as an example of the mistake of trying to reap at once the harvest of centuries. In short, he suggested discreetly to his followers that for the moment, at all events, they must mark time, and be content to view the promised land of an all-Ireland republic from a distance. He added that, whilst the I.R.A. and other extreme republicans had every right to criticise the Government and put their policy before the people, they had no right to resort to arms. By a judicious combination of pensions, government jobs, and repression, he has silenced many of the leaders of this organisation, and crippled the remainder by methods no one else could have used. This is by no means his least important achievement. But he continues, unfortunately, to ignore the fact that the existence of Northern Ireland makes an all-Ireland republic impossible, even if desirable, and he either is incapable of settling the quarrel he has provoked with Great Britain, or does not want to do so. The proper aim of an Irish statesman is to make harmony out of ancient discords, and if Mr. de Valera could, even now, turn his hand to this work, rather than to the creation of new difficulties, he might achieve greatness.

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The prompt conversion of the balance of the First National Loan, which amounted to £7,000,000, into a new 4 per cent. stock, maturing in 1950-70—an operation which all parties combined to make successful—the success of recent municipal issues, and the ready market for industrial development flotations, prove that there is an increasing demand for the right kind of national securities, and that the Government's evolution towards a sense of responsibility is bearing fruit. That demand will certainly continue and develop if we maintain a sound national financial policy based on the realities of our economic position. Another example of the Government's return to saner counsels is afforded by the recently introduced Insurance Bill. This Bill, which has been in a state of incubation for some time, was expected to make it impossible for English insurance companies to carry on business here. In fact it has proved to be a very mild measure, which provides for state regulation of the insurance business under licence, and for deposits in the courts as security for each class of business done. Its requirements will probably be more onerous for the small Irish companies than for their English competitors. It also proposes that a re-insurance company shall be established under official auspices, through which all re-insurance business in the Free State must be done. The state will guarantee the business accepted by this company for the first ten years. If not carefully managed, this part of the Bill may easily prove a double-edged sword.

III. THE END OF THE SENATE

THE Senate is departing its political life in a blaze of glory. On December 12 the Dail, on Mr. de Valera's motion, sent the Bill for the abolition of the Senate back to that House, a period of eighteen months having elapsed since its rejection.* The debate, apart from an impassioned

* See THE ROUND TABLE, No. 96, September 1934, p. 829 *et seq.*

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protest by Professor Thrift, one of the deputies for Trinity College, was a dull affair. The arguments were largely a repetition of those used in the former debates on this subject. Mr. MacDermot seemed to get nearest the truth when he said that, whilst a second chamber was not a real safeguard against tyranny, it would be valuable if we could have an assembly not directly elected where questions would be approached from a non-party angle. Professor Thrift, speaking for the minority, claimed that a second chamber prevented the great and sudden changes that often took place on the election of a new Government, and suggested that the present Government might eventually find such a body useful in saving their own work from destruction. But these arguments and appeals had no effect on Mr. de Valera, who had definitely made up his mind to destroy the Senate in retaliation for thwarting his designs. He confessed, in closing the debate, that if an ideal Senate were to be had he would vote for it, but he did not explain how anything ideal is to be found in this imperfect world. He had satisfied himself, he said, that a second chamber was not essential, but if anyone could suggest a form of second chamber that would be neither a barrier to progress nor a replica of the Dail he would keep an open mind. In his view, the only purpose now discharged by the Senate was to make a general review of legislation, and this could be done in future by having a further stage after the report stage of a Bill in the Dail, during which it could be reviewed as a whole.

Before its end, however, the Senate managed to give the Government considerable trouble and annoyance in connection with the Land Purchase (Guarantee Fund) Bill. The Land Purchase Guarantee Fund was established in 1891 in order to guarantee the payment of the land annuities by the tenant purchasers, and to enable the British Government to deduct from grants in aid of local taxation any arrears of land annuities due, thus making the ratepayers

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in each county responsible for any default on land annuity payments by the tenant purchasers in their district. This provision, intended to safeguard the service of land purchase finance, has now no meaning, as the moiety of the annuities still collected is paid into the Free State exchequer and not to the Land Purchase Fund. Acting on legal advice, the county councils of Cork and Louth instituted legal proceedings, seeking a declaration from the courts that the Government had no longer a right to make deductions from the local taxation grants in order to satisfy arrears of the annuities. Before the litigation was decided, however, the Government introduced the Bill already referred to, which was retrospective in application and so validated the Government's past action, rendering futile the legal proceedings taken by the county councils. The Government was, in fact, in a very awkward predicament; for so large are the arrears in several counties that, if the ratepayers could not be made responsible, their failure to pay might seriously affect the next budget.

So strong was the resentment at the Government's action that the Labour party actually summoned up enough courage to vote against the Bill on the second reading, and the Government majority fell to four. When, after a series of stormy debates, the Bill finally passed through the Dail, it was certified by the Speaker as a money Bill, which meant that, under the Constitution, the Senate could not reject it, but could only make recommendations to the Dail for its amendment. The Speaker's decision was promptly challenged under Article 35 of the Constitution by two-fifths of the members of the Dail, on a petition, requesting that the question whether it was a money Bill or not should be referred to the Committee of Privileges. This Committee, which consisted of three Government deputies elected by the Dail and three Opposition deputies elected by the Senate, together with the Chief Justice, as required by the Constitution, subsequently met, and, by the vote of the Chief Justice, decided that it was a money Bill. It

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then went to the Senate, which proceeded to exercise its only remaining power by passing, on the casting vote of the Chairman, three recommendations, which, if they had become law, would have deprived the Bill of its retrospective provisions; in that case, if the Courts had decided against the Government, the existing arrears of annuities would have become a charge on the national exchequer and not on the ratepayers. Realising that the Dail would have to be re-convened to discuss and reject these recommendations, a process involving further discussion and delay, the Government party in the Senate conceived the brilliant idea—worthy rather of town councillors than of legislators—of saving all further trouble by rejecting the Bill altogether. This they accordingly did, believing it would thus automatically become law. But this rather silly performance was of no avail, because the legal advisers of the Government, who have learnt caution by experience, wisely decided not to risk further legal proceedings by ignoring the Senate's recommendations; for, while that House had power to make recommendations, it had no power to reject a money Bill. So the comedy ended with the Dail meeting again to reject what may, perhaps, be described as the Senate's last will and testament. If Mr. de Valera had the last word, they had managed to give him a last kick, and not an altogether unpopular one.

When the Bill for its abolition came before the Senate, on January 15, Senator Douglas moved a motion declaring that the Senate was willing to pass the Bill if an amendment was inserted to prevent it from coming into force until the Dail had passed a Bill substituting a new second chamber for the present Senate; and the motion suggested a conference between the two Houses to consider this proposal. Mr. de Valera did not attend the debate, ostensibly because a permanent official, who, in his absence, was taking notes of the debate for the President's use, was not permitted to remain on the floor of the House—a privilege accorded only to officials in attendance on a

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Minister. The motion was carried by thirty votes to twenty, and the Senate adjourned *sine die*. At any time after February 11 the Dail can pass a resolution ending the Senate's existence, but whether it will do so is not clear, because the Government have given notice that they will send the Bill for abolishing university representation back to the Senate; if this is done, the life of that body may be extended until some time in April. When its destruction finally takes place we shall be the only Dominion governed by a single chamber, and the only country in the world claiming to adhere to the principles of democratic government in which a simple majority in one chamber has unlimited power to alter the constitution. Every other country with a unicameral government has stringent restrictions on the power of the legislature. The government of the Free State will then consist of the King and the Dail, and probably it will not be long before a President is substituted for the first of these elements, or the position of Governor-General abolished.

IV. THE COAL-CATTLE PACT

WHEN the coal-cattle pact* was concluded between the British and Free State Governments, in January 1935, it was stated by Mr. de Valera that opportunities for further similar understandings would, no doubt, present themselves from time to time, and would probably be taken advantage of by both sides in the same spirit. The agreement announced on February 17, renewing the pact and generally relaxing the "economic war" measures, happened too late for more than brief mention here. The termination of the original pact, which was only for one year, and the absolute necessity for disposing of our surplus cattle, had made it imperative to re-open the question, and negotiations were begun at the end of last year between officials of the

* See THE ROUND TABLE, No. 98, March 1935, p. 369.

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two Governments. On December 30 the Free State Government announced that, pending the conclusion of these discussions, they had made an order appointing 3,114,000 tons of coal as the import quota for twelve months from February 1, 1936, or 199,000 tons more than last year, of which 3,113,000 tons are to be imported from Great Britain.

This announcement was at once criticised by the Opposition, on the ground that it disclosed the concessions that the Free State Government was prepared to make before the pact had been renewed. Mr. Cosgrave, in the course of a lively controversy with Mr. de Valera's paper, the *Irish Press*, pointed out that the longer the delay in negotiating a complete settlement with Great Britain the greater would be the damage, not only to our agriculture, but, in the long run, to our secondary industries as well. At the present moment we were, he claimed, making a war which was not a war at all, and a peace which was fragmentary, and which had given substantial advantages to the British, our alleged enemy, and almost none to our own people. Mr. Cosgrave suggests that the dispute over the annuities should be settled on the basis of our ability to pay, and that our agricultural produce should be given a free entry to the British market, in return for some corresponding concessions to British industrial imports here. Such concessions would naturally be circumscribed, as the Opposition is pledged to support the existing industrial tariffs, but even so there is scope for negotiation.

There can be no dispute, however, concerning the beneficial effects of the coal-cattle pact, as far as the Free State cattle trade is concerned. In the first eleven months of 1935 our live cattle exports increased in value by £1,037,450 compared with the previous year. Moreover, our cattle exports for the first two months of 1935, before the pact began to operate, were lower than those for the corresponding months in 1934, which proves that it arrested a further drop in our cattle exports which would

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have had disastrous results. The Irish coal consumers rightly complained, however, that they had still to pay the penal tax of five shillings a ton on British coal and that the British coal exporter had taken advantage of the position to charge a higher price for inferior coal. The public outcry became so great that on January 22 the Government announced the withdrawal of the tax on British coal, on account of the increase in coal prices in Great Britain.

As has been recently pointed out,* the Free State has nearly 12,000,000 acres of good arable land, with a population of only three million to feed, and since the produce of 2,500,000 acres of tillage will certainly keep our flour-mills, our sugar factories, our breweries, and even our projected alcohol factories fully supplied we must contrive some profitable use for about 9,000,000 acres of pasture and hay, and at least 500,000 acres of root crops fit only for animal consumption. Our cattle export trade is, therefore, vitally necessary to our economic life, and must remain so.

Unfortunately, there seems to be no material change in our relations with Great Britain. The usual rumours of negotiations, some of the most fantastic kind, persist, and are denied in official circles. Ireland was not even mentioned during the British general election, and whatever hope Mr. de Valera may have secretly cherished of a change in the party or policy of the British Government has now been effectively destroyed. On the other hand, there is universal satisfaction at the translation of Mr. Thomas to the Colonial Office. He had, unfortunately, neither the temperament nor the training necessary to deal with the Irish situation, and his successor, who is believed to have courage, imagination, and *savoir faire*, will have an excellent opportunity of making a new approach to what is undoubtedly the most difficult problem before him.

* *Ten Years of Export Trade*, by E. J. Coyne: *Studies*, December 1935.

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The Bill enabling the Free State Government to take the necessary measures to impose sanctions against Italy met with practically no opposition, but Irish public opinion was both shocked and alarmed by the Hoare-Laval proposals. There is no doubt that, if Great Britain had not herself decisively rejected them, the Free State, at all events, would have unanimously refused to support a policy that sacrificed principle on the altar of a futile expediency. It must be emphasised that only a loyal and unambiguous adherence to League principles will receive Irish support. It may, perhaps, be added that the claim put forward by Mr. Dulanty, the High Commissioner for the Free State, at the Naval Conference, that the Free State would have the theoretical right to build battleships up to the "common upper limit" proposed by Japan, need not keep Japanese admirals awake at night, nor does it serve any practical purpose, save to release our inferiority complex and add to the gaiety of nations.

V. ECONOMIC DEVELOPMENTS

FOR the first time since Mr. de Valera took office, the economic position in the Free State shows some signs of improvement. The visible adverse trade balance for the twelve months ended December 1935 was £3,789,152 less than for 1934. It was, however, still as much as £17,400,000, compared with £13,000,000 in 1931 and £10,000,000 in 1930. There has also been a slow, if not very marked, improvement in our internal commerce, as is proved by the bank clearings and railway returns, although the railway increase is largely due to the fact that the railway has now a virtual monopoly. Revenue returns at the end of December also showed an increase of just over £1,000,000 as compared with 1934. This is principally due to the yield from customs and excise duties, or, in other words, to the new tariffs. These indications of a partial return to normality arise from several causes, but principally

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from the increasing prosperity of our largest and only substantial customer, Great Britain. The effects of the coal-cattle pact, a bountiful harvest, industrial development, and, to a small extent, the commercial agreements with Germany, Belgium, and Spain, which have forced those countries to make some return for our imports from them, have also contributed to this improvement.

But this is not the whole picture. The returns of the International Labour Office show that, in spite of our new industries, the number of unemployed increased last year by 5,153, and now stands at 129,403. Although Dr. Ryan, the Minister for Agriculture, has recently stated that he hopes to be able soon to find a market for all our surplus cattle, the official returns prove that the existing alternative markets to Great Britain are negligible. It is difficult, therefore, to see how this result is to be achieved unless the Government pockets its pride and makes a comprehensive agreement with Great Britain on all the matters now in dispute.

The cost of living, largely owing to the Government's tariff policy, has gone up to the highest figure touched since 1931, and is really much higher than the official figures disclose. The cheapest kind of tea is now 1s. 6d a lb, as compared with 1s. in 1931; a loaf of bread is 10½d, as compared with 8d; butter 1s. 5d a lb, as compared with 1s. 1d; flour 2s. a stone, as compared with 1s. 4d, and coal 3s. 6d a bag, as compared with 2s. 6d. These increases bear heavily on the poor in our cities, the agricultural labourers and the small farmers, who are the large majority of our population. One speaker at the recent Fianna Fail Congress complained that people in the poorer districts are "barely existing at present," whilst another delegate at the same gathering stated that farmers find it "practically impossible to make their living on the land." Figures recently published prove that our total poultry population has declined by half a million, although, appropriately enough, the number of geese has increased,

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apparently because they are cheaper to feed. Another interesting and disconcerting fact is disclosed by the admitted decrease in our rural school population, which is probably due to the spread of late marriages among the farming population.

As the new industries cannot absorb our surplus population, the only safety valve, now that emigration to the United States and to the overseas Dominions has virtually ceased, is Great Britain, where 23,000 of our people went last year. The only alternative to a much lower standard of living is, therefore, a reduced birth rate; and those who formerly went to America, being unable to marry and settle down on the land, must remain unmarried. It is quite probable that, as the population of Great Britain declines, emigration from the Free State to that country will increase. Should Mr. de Valera's republic materialise, emigration to Great Britain will become virtually impossible, and many avenues at present open to our educated youth in British commercial and professional life will be closed. This is a possibility on which our ardent republicans would do well to meditate. In order to cope with unemployment, the Government are experimenting with a new scheme of relief works, designed to secure that as far as possible every man in receipt of unemployment assistance will obtain a certain amount of work each year. The aim is to ensure that when a relief scheme is being administered every man in the area concerned will get his share, if possible an equal share, in the work. This is a step in the right direction, and ought, if properly managed, to reduce expenditure on unemployment assistance.

Our educational methods have recently received some searching and long-overdue criticism. Certain obscure officials in the Department of Education, in 1926, without legislative sanction, devised a scheme designed to make the Irish language the medium of general education in our schools. It was imposed first in the primary schools, which are completely under government control. By a

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combination of grants, preferential marking, and pressure from inspectors, the secondary schools have also been forced to follow suit to some extent. The results are now becoming apparent. Teachers, who are in most cases imperfectly qualified to do so, attempt to teach in Irish subjects other than Irish to English-speaking children. In the infants' standards of the primary schools English-speaking children are taught in Irish only, which they do not know, are not taught, and never hear outside school hours. The result naturally is that their intellectual development is seriously retarded, and they cannot learn other subjects properly when they go up to the higher standards.

Such educational methods are bound to be fatal, not only to the general level of education in the country, already low enough, but also to the hope of reviving, or even preserving, the Irish language itself. They are conceived in perversity, being based on the fallacy that Irish is the spoken language of the country, and they are also false to every principle of education. It is self-evident, except, apparently, to our educational experts, that it is impossible to acquire an understanding of what you do not know through a language you do not know. Such methods, if persisted in, can only produce a virtually uneducated nation. The Dublin primary school teachers, several headmasters of secondary schools, leading authorities on education like Professor Tierney, and many infuriated parents, have recently voiced their condemnation of these methods, which, if public opinion properly asserted itself, would get short shrift. The Government, which is under the control of the vested interests that have turned the language into a profitable industry, refuses even to enquire into the matter; so for the present, at all events, parents must continue to suffer this imposition. But it is proof of the slow growth of real public opinion in the Free State that they are no longer content to do so in silence.

The Irish Free State,

February 1936.

GREAT BRITAIN

I. THE GENERAL ELECTION

WHEN THE ROUND TABLE last went to press, the final results of the general election were not yet known, though it was already apparent that the Government had been returned with a majority beyond the hopes of all but the most optimistic of their supporters. At the end of a four-year Parliament, elected in the "landslide" election of 1931, they lost a net total of only 84 seats. The following table summarises the change from the old to the new Parliament :

<i>Government Parties.</i>				<i>Old.</i>	<i>New.</i>
Conservatives	.	.	.	460	387
Liberal National	.	.	.	39	34
National Labour	.	.	.	13	8
National	.	.	.	5	4
				<hr/> 517	<hr/> 433
<i>Opposition.</i>					
Labour	.	.	.	60	154
I.L.P.	.	.	.	3	4
Liberal	.	.	.	32	20
Communist	.	.	.	—	1
Others	.	.	.	3	3
				<hr/> 98	<hr/> 182

The "others" in the new Opposition include two "National Abstentionists," elected for the Northern Irish county of Fermanagh and Tyrone, who will refuse on principle to take their seats at Westminster, so the Government's effective majority on the morrow of the elections was 253.

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This surprising result produced an exceptional crop of post-mortems. The secretary of the Proportional Representation Society calculated that if the election had been conducted according to the rules of P.R. the Government majority would have been only 48. Whether this result would have produced better government during the next five years is a problem that cannot be worked out with slide-rules. The Labour party will have nothing to do with P.R., since by far the greatest beneficiaries would be the rapidly dwindling Liberal party, and, as the *Daily Herald* bluntly put it, "Liberalism's decline is, in many country constituencies, Labour's opportunity". The same paper calculated that an average of 54,545 votes went to elect each Labour member, against an average of 27,207 for each Conservative, and drew comfort from the fact that Labour's total poll was the highest in its history, higher even than in 1929, when Labour became the largest party in the House of Commons. Yet none of the Opposition publicists could argue that the Government had not deserved a parliamentary majority, as the voting went, or that "scare" issues like the notorious Zinoviev letter had been introduced at the last moment to bamboozle the electorate. Perhaps the most striking thing about the election was the success of Government candidates in straight fights in urban and industrial constituencies up and down the country—outside the mining areas, where an impending wages dispute,* echoes of 1926, and the hardships of prolonged unemployment gave Labour an overwhelming advantage.

The result must be explained largely by the fact that the election was fought, not on any particular issue, whether chosen by the Government or by the Opposition, but on the general issue of the merits of a Government under Mr. Baldwin compared with those of a Government under Mr. Attlee or some other Labour leader. It is perfectly

* See THE ROUND TABLE, No. 101, December 1935, p. 153, and below, p. 372.

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clear that the majority of the electorate have not been convinced that the country would be generally better off with Labour in the saddle than under a National Government. There are still fears of an economic and financial setback just as recovery is strengthening its hold, and the Labour party has itself to blame for not courting more assiduously the confidence of the people, as distinct from their belief in its particular policies or dislike of the policies of others. Many electors had at the back of their minds, moreover, a feeling that Labour did not really want office at this moment, and would not know what to do with it if they were given a majority.

A well-known socialist "intellectual," reviewing the results of the election, made the interesting suggestion that the Labour party, without in any way giving up its socialist principles, ought to tell the electorate what it does not intend to do if returned to office, as well as what it intends to do, so that judgment might be passed upon its practical programme unhampered by fears of sudden and violent upheavals in the whole economic structure. Only thus, he felt, would Labour fall heir to the support of British liberalism—which survives the Liberal party undiminished as a national force. The election results show that the bulk of former Liberals, if they did not abstain, voted for Government candidates. Indeed, it is arguable that the real successors of the historic Liberal party are not to-day the Labour party but the Conservatives of the Left. One of the most agreeable features of the results was the return of a number of young, energetic and liberal-minded Conservatives whose seats in industrial areas had been regarded as rather a forlorn hope. It is hard to tell what part the Council of Action * played in the result. To judge from the small fraction (64) of its list of approved candidates that was elected, its influence was not great. But this does not rule out the possibility that in a few "marginal" constituencies it swayed a decisive vote.

* See THE ROUND TABLE, No. 101, December 1935, p. 147.

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The Government were unquestionably helped by the disturbed state of foreign affairs. Their staunch support of the League in the September crisis had rallied to their support a mass of moderate opinion which would normally distrust the Right for its tendency towards excessive nationalism and isolationism. The Opposition could claim no more than a greater fervour in the same cause of supporting the League. In foreign affairs, as at home, the Government appealed for an open mandate, in the name of the Prime Minister. And in such times Mr. Baldwin's is the type of personality to which men and women confidently turn. It must be recorded, however, that his reputation with the public whose critical votes had assured him his mandate received a sharp setback in the affair of the Hoare-Laval peace plan, which has been discussed in an earlier article in *THE ROUND TABLE*.*

The most serious blow to the Government at the general election was the defeat of Mr. Ramsay MacDonald at Seaham Harbour and of Mr. Malcolm MacDonald at Bassetlaw. Both were fighting difficult constituencies which with less courage they might have deserted for safer Government seats. Mr. Baldwin lost no time in paying tribute to their personal importance in his scheme of National Government by including them, despite their defeat, in his reconstructed Government. Mr. Malcolm MacDonald, indeed, received what was generally regarded as promotion when he and Mr. Thomas exchanged the Secretaryships of State for the Colonies and for the Dominions. Lord Halifax became Lord Privy Seal in the room of Lord Londonderry, and Mr. Duff Cooper, a new-comer to the Cabinet, replaced Lord Halifax as Secretary for War. Before the last election returns were out, Mr. Ramsay MacDonald was given an opportunity of standing again for Parliament by the death of one of the Conservative members for the Scottish Universities. He accepted an invitation to stand from the Conservative associations of all the four universities,

* See above, p. 278.

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but found himself opposed by a Scottish Nationalist who might otherwise have been described as an independent Conservative, as well as by a Labour candidate. His opponents made the most of his former vote in the House against university representation, his lack of university status, and the allegation that he was being foisted by London upon Scottish electors. Nevertheless, he gained the seat by a substantial clear majority over both his opponents. Meanwhile his son, still further north, was facing similar and even more strenuous trials in his efforts to make his way back to Parliament. When the Liberal National (or "Simonite") member for Ross and Cromarty resigned his seat, the local Liberal association invited Mr. Malcolm MacDonald to stand, but the Conservatives decided by a majority—in face of pressure from the central office, and of the Prime Minister's unequivocal support for Mr. MacDonald—to enlist Mr. Randolph Churchill as their candidate. The local Conservatives having thus rebelled against their central authority, the comedy was completed by a rebellion of the central Liberals against their local association; for the Scottish Liberal Federation insisted upon engineering the candidature of an Opposition Liberal. These manœuvres seemed to be mainly to the advantage of the fourth candidate, a Labour man.

In the upshot, however, Mr. MacDonald was elected with a majority of nearly 3,000 over his Labour opponent; Mr. Churchill, with 2,427 votes, came close to losing his deposit, and the Liberal was nowhere. The Government was thus fortified, not only by evidence of popular support, but also by the retention of a young Minister of whom much is expected.

The general public could not fail to regard the successive adoption of the MacDonalds as candidates by Conservative and Liberal associations as a move towards the unification of "National" parties. But that process, if it continues, must take a long time, since the Conservatives are determined not to lose their party identity even to the extent of modifying

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their name, and the general election results themselves showed the rather surprising vigour of separate "Liberal National" and "National Labour" forces.

On the other side of the House, the Liberals received a sad blow in the defeat of their leader, Sir Herbert Samuel, in whose place they elected Sir Archibald Sinclair. The Labour party had also the problem of party leadership to tackle. After Mr. Lansbury had resigned on account of his divergence from the majority on the sanctions issue,* Mr. Attlee was elected for the rest of the session, but the 150 per cent. increase in the Labour representation at Westminster brought about an entirely new situation, and some favoured Mr. Herbert Morrison, others Mr. Arthur Greenwood, as likely successors. In the outcome, Mr. Attlee was again chosen, a vote that indicates that the Labour party will keep to a central steady course, suspicious both of its "intellectual" wing and of the extremists of the Left. Mr. Attlee, though an energetic and successful House of Commons man, is hardly a figure to fire the imagination of the country.

When Parliament was opened on December 3, there were few surprises in the tally of proposed legislation recited in the King's Speech—the improvement and enlargement of our armed defences; the Bills for raising the school-leaving age, for unifying royalties in the coal-mines, for enforcing a "rationalisation" of the spinning trade in Lancashire, and for guaranteeing a loan of £26,000,000 for capital works on the main line railways; † the revised unemployment assistance regulations—still due, a year after the collapse of the regulations first applied under the new system; and the extension of unemployment insurance to agricultural workers. It is, in the mass, a progressive programme, with a distinct emphasis on social services. Certainly it is a very crowded list, and it will be

* See THE ROUND TABLE, No. 101, December 1935, p. 145.

† See THE ROUND TABLE, No. 100, September 1935, p. 798, and No. 101, December 1935, p. 151.

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small wonder if some measures have to be jettisoned for the time being.

The most important legislative measure that has yet been published in detail is the Education Bill, which is to raise the school-leaving age to fifteen. The cost is reckoned at £2,160,000 a year, of which £1,495,000 will fall on the national Exchequer, and the remainder on the rates. Probably the most controversial part of the Bill is the provision for exemptions from the rule when a child between 14 and 15 can obtain a certificate of "beneficial employment". Before deciding whether any employment is beneficial a local education authority must have regard to the prospective as well as to the immediate benefit to the child, and in particular must take into account

(1) The nature of the employment, the wages to be paid and the hours of work;

(2) The opportunities afforded to the child for further education;

(3) The time available to the child for recreation.

The authority may require undertakings from the employer on these points, violable on pain of a fine. The system of exemptions for beneficial employment represents a reversion to the practice of earlier periods in the progress of compulsory education, and is regarded by many social reformers as a retrograde step. Their main contention is that it will prevent the proper organisation of classes and curricula, and will mean that children in their last school year will be looking for jobs instead of concentrating on their school work.* Some say that 80 to 90 per cent. of the children will be exempt. But this is unlikely to be the only disputed element of the Bill; for the story of public education in this country is strewn with the bitter memories of struggles over the status and financing of "voluntary" schools, and over the question of religious instruction. Both of these issues are raised once more by the new Bill.

In the second reading debate on the Spindles Bill the

* See the *Manchester Guardian*, February 1, 1936.

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Government's apparently unassailable majority fell to only 23 on an amendment, which was supported by a number of Conservative members for industrial constituencies, to refer the Bill to a Select Committee. There is an active minority in Lancashire against the measure, and some members with an individualist outlook dislike its compulsory provisions. The Labour party's objections are based mainly on the immediate loss of employment that must accompany a reduction of spinning capacity; when Mr. Runciman claimed on behalf of the Bill that 28,000,000 spindles were in favour of the Bill compared with 11,000,000 against, a Labour member interjected "Spindles don't think or feel". Another new measure that may cause the Government some trouble is the Bill for the reorganisation of the beet-sugar industry. They have rejected the majority proposals of the Greene Committee* for the abolition of the subsidy, but have accepted the alternative plan for the compulsory amalgamation of the refining businesses and the supervision of the industry by an independent commission. Standard prices are to be fixed for beet, and the amount of subsidy will vary according to the world price of sugar and other factors, but for the present the annual cost is reckoned at £2,750,000. Incidentally, it was remarkable, after years of agitation by the Opposition, how small a part the Government's agricultural programme seems to have played in the general election. Not only was it overshadowed by unemployment and foreign affairs; food is not yet dear enough for "Dear Food" to be a rousing political cry. Moreover, Labour has to win country constituencies in order to secure a majority, and it has itself no clear alternative to the Government's protective and restrictive plans save the vague principle of the nationalisation of the land.

But it is not on such particular issues that the Opposition may be expected to spend the main force of their attack. In the debate on the Address, both the Labour and Liberal

* See THE ROUND TABLE, No. 99, June 1935, p. 575.

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spokesmen seized upon the absence of any mention of the unemployment problem in the speech put into the mouth of His Majesty. Their blade has been sharpened by the big rise in unemployment in January, seasonal as it undoubtedly was in the main; and the Opposition will lose no opportunity of tackling the Government on its policy for relieving unemployment and restoring the distressed areas.

The other main point of attack will certainly be the Government's rearmament plans. The Liberals have accepted in principle the need for better and more modern defences, in view of the potential threat from heavily armed military dictatorships; but they will seek to link up any defence proposals with policy for the betterment of international relations and the strengthening of the League, and to check anything that savours of isolationist imperialism. The position of the Labour party is rather obscure. The bulk of the party have decisively rejected pacifism in the more particular sense, and have recognised that support for the League of Nations requires a sufficient degree of armament to stand behind its collective decisions. But they are even more suspicious than the Liberals of an attempt to smuggle through, under an internationalist disguise, a selfish, nationalist and provocative armaments policy; and with the Liberals they will press for the suppression—or at least the rigid control—of the private manufacture of arms and munitions of war. If we are to judge from a singularly unilluminating article contributed to the party newspaper by Mr. Attlee,* they will demand that money appropriated for rearmament be spent exclusively on "defensive" weapons and measures. What these are, the Labour leader seemed uncertain; for he classed tanks with battleships and bombing aeroplanes as offensive weapons, yet he complained of a neglect of the Tank Corps, and in his penultimate paragraph admitted that, "until the scientists invent something that will frustrate the attacking aeroplane, there is no such thing as defence". The bare

* See the *Daily Herald*, February 5, 1936.

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truth is that amid the ruin of our post-war hopes of universal peace few of us, and official Labour least of all, have fully adjusted our ideas on armaments and international policy to the conditions of a world in which Germany is rearmed, Japan and Italy have torn up their pacific engagements, and the coercive side of the League Covenant has been dangerously brought into play.

II. THE COAL SETTLEMENT

LABOUR, quiescent or on the defensive during the depression, is now showing signs of response to the improvement in trade. The membership of the trade unions is once again increasing. Movements for higher wages are developing, mainly among the depressed, or lately depressed, industries. The coal-mining dispute was settled on terms favourable to the men. The shipbuilding employers have promised an early increase. The engineering unions, encouraged by the reduction of unemployment to a low level in most branches of their industry, are asking for a wages advance. Seamen's wages are under discussion. The Yorkshire woollen and worsted workers are trying to get a common standard of wages and hours re-established; the industry is enjoying something like a boom, but its labour conditions are chaotic and largely unregulated by collective bargaining. The railway unions are pressing for the final restoration of what they lost in wages and working conditions in 1931; the financial results of the companies are not altogether favourable to the men's claim and the controversy promises to be prolonged. Too much need not be made of the unofficial strike of workers in the Smithfield meat market, which for a few days in February threatened London's supplies, but it was symptomatic of a rising tide of confidence on the labour side.

The settlement of the coal-mining dispute was a considerable achievement. It was the first great coal dispute

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since the war to be settled without the active intervention of the state. For this the national emotion with which the last weeks of January were charged was in some degree responsible. This, it was felt, was no time in which to badger the Government or threaten a stoppage of industry. But the settlement was not a mere compromise of expediency; it came close to the aims of the more far-sighted of the miners' leaders. They started their campaign with two objects—first, to persuade the Government and the owners to reorganise the industry in order to increase its wage-paying capacity, and, secondly, to secure an immediate advance in wages, if possible on a national scale. The Government helped them with the first aim, in pressing the owners to adopt central selling schemes by July 1 next, and, by pledging itself to introduce a measure for the nationalisation of mining royalties, gave an earnest of its intention to promote further reforms. But regarding the immediate increase of wages the Government refused to intervene, as the men desired, with the grant of a subsidy. Miners and owners were thrown back on themselves, or, rather, on the public. December and early January saw a quite remarkable agitation, probably without parallel in this country, for securing voluntary offers of higher prices from those coal consumers—the majority of commercial and industrial users—who were protected by forward contracts. The owners said frankly that they had no money and that if the public wanted to avoid a strike and raise the admittedly inadequate wages of the men they must pay. The consumers' response was generous, and not merely from prudential motives; the country was moved by the miners' case and by the moderation with which it was stated.

The upshot was that with the increase in the price of household coal, and the voluntary increase (usually of a shilling a ton) accepted by most commercial and industrial users (the railways and cotton mills being the principal dissenting parties), an added revenue of the order of

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£6,500,000 to £7,000,000 a year was promised from inland sales of coal. For export coal no improvement in prices was counted on. On this basis the owners in each district made an offer of an immediate increase of wages. The offers ranged from 1s. a day in the Midlands, Yorkshire, Lancashire, and North Wales, to 9d in Scotland, 6d in Durham and Northumberland, and from 2½d to 5d in South Wales. Even in the more prosperous coalfields this was only half of the flat rate increase of 2s. a day that the men had asked for; in the exporting districts, where wages are lowest, the offers gave no satisfaction. The men's first reactions were hostile, and there was every appearance, until the death of the King, that the districts would once again take matters into their own hands and insist that the strike notices (which the Executive had postponed) should come into effect.

The owners' final terms, however, contained an important further concession. They undertook that a National Joint Standing Consultative Committee should be set up for the consideration of all questions of common interest and general application to the industry, not excluding general principles applicable to the determination of wages by district agreements.

In spite of the vagueness of the terms of reference this is an important concession. The stoppage of 1926 ended with the denial of national negotiations and of the recognition of the Mineworkers' Federation as a body for the discussion of wages. The principle of the district determination of wages still remains, but the owners have agreed that the district agreements should be brought under national review. There are, for example, numerous divergences in local practice which the owners, no less than the miners, would like to see brought under a common policy. Moreover, as Mr. Joseph Jones, the miners' president, put it in his comments on the terms,

in our view, every development within the industry in recent years provides a powerful reason for adopting a national as

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opposed to a district conception of the industry's problems, and we are delighted to think that the coalowners are at last showing signs of appreciating our point of view.

The miners' delegate conference on January 24 therefore accepted the terms as "an instalment of the further improvements which will be rendered possible by the proposed selling schemes." South Wales, Northumberland and Cumberland opposed, and Scotland was neutral. The districts have since ratified the terms, though without enthusiasm.

It is only an interim settlement; but, if the new joint machinery is not overstrained, if the owners set up efficient sales schemes, with proper national co-ordination, the conditions should soon be ripe for the long-term settlement for which the miners' president has appealed. The public, having made the settlement possible, will now be the more inclined to keep a watchful eye on the industry, and will hold the Government responsible for seeing that the continuing abuses under Part I of the Coal Mines Act, 1930, are removed, and that structural reorganisation and the concentration of production are hastened.

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I. CANADA AND THE INTERNATIONAL CRISIS

BEFORE the League of Nations was established, Canadians who gave any thought to the question of national security naturally looked, first, to our membership in the British Commonwealth, but at the same time they regarded as a very important "second string" to our bow our geographical position on the North American continent as a neighbour of the United States. Thus, when Canada became a member of the League, the question to which most attention was given was what effect this new affiliation was likely to have on our relations with Great Britain and the rest of the Commonwealth, on the one hand, and with the United States on the other. The country was rather happily situated, such was the feeling, under the former dispensation, conditioned by those two relationships. Was there a danger that the new relationship might prove at once incompatible with the two older ones, and less effective? This is still the point of view from which Canadians approach questions involving international action through the League.

In order to understand Canadian opinion with regard to the international crisis of these last months, it is necessary to go back at least to the Manchurian episode of 1931. Up to that time, the Canadian attitude to the project of a collective defence system under the League might be described as one of fugitive benevolence. As in most countries, the strongest and most universal feeling all through the 'twenties was the desire to have no more war, to which end the collective system seemed the best available means. But there was no general interest in, or discussion

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of, the question how the world was to be organised for peace, or the implications for Canada of the collective defence system. Most people allowed the wish to be father to the thought, that Canada would be no more likely to be called upon to back up her adherence to League principles by participating in the application of military sanctions than the ordinary citizen is likely to be called on to rally to the support of the police in maintaining law and order.

To a community harbouring such vaguely benevolent and naïve notions, the apparently easy and complete triumph of an aggressor in Manchuria in 1931 came with somewhat of a shock. Those who had always decried the League as incapable, in the nature of things, of checking a great Power saw their view confirmed. Those who believed in the collective security system, on the other hand, saw that another such failure as that in the Far East would mean the end of the League; but, in the absence of a clear lead from the great Powers of the League and of the support of the United States, they felt that there was nothing a country like Canada could do. The party leaders, almost to a man, maintained an inscrutable silence, and the country relapsed into a state of comparative indifference, from which not even the suggestion that Canada might well be the Belgium of a war between Japan and America could avail to rouse it.

Partly as a result of the Manchurian fiasco, the question began to be asked whether the great Powers in general and Great Britain in particular were really taking the League seriously, really thinking in terms of the principles of the Covenant as a whole, including an attempt to remove the causes of war, or were simply regarding it as an instrument for maintaining the *status quo*, especially in Europe. The dissatisfaction with the uncertainty of the position and the absence of any clear lead from Westminster found expression in the proposal of Senator McRae, a leading Conservative, that Canada should withdraw from the

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League, and in a vigorous arraignment of the League, as at once impotent and dangerous, by an influential Liberal newspaper, the *Toronto Globe*, which, though a strong believer in the Commonwealth, has never shown itself incapable of thinking in wider terms. These voices of disillusionment—for that is what they were—did not, however, strike any particularly responsive chord, not because the majority of Canadians thought they were wrong, but because the majority of Canadians did not think about the problem at all. The few who did try to look ahead, taking as their starting point the proposition that world peace was the be-all and end-all of the country's foreign policy, began to ask themselves whether Canada could best make its contribution to that cause as part of a Commonwealth whose predominant partner did not seem to have made up its mind upon its attitude to the League, or independently. There were those who advocated working independently in any event, while even those who urged close co-operation with the other Commonwealth countries postulated an assurance that the policy of the Commonwealth should be unequivocally pro-League in the full sense.

From what has been said, it will easily be understood why there was serious concern and disquietude during the first months of last year, particularly among the strongest believers in Commonwealth co-operation. Even to them, it began to look as though the problem created by Italy's predatory policy in Ethiopia was to be solved in terms of the old diplomatic barter instead of the treatment of an obvious aggressor in accordance with the principles of the Covenant. The isolationists, who had always deprecated Commonwealth co-operation, naturally saw their view confirmed. When, however, the United Kingdom Government declared its intention of giving full support to the League and proceeded to take the lead in declaring the aggressor and arranging for the application of financial and economic sanctions against him, doubts about Great Britain's single-mindedness tended to disappear. Canada's

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course then seemed, at least to the majority of the English-speaking population, to be clearly marked out for her, namely, to join with the other Commonwealth countries in following the strong clear lead that had been given.

For a not unimportant section of opinion, which believes in the Empire but not in the League, this was no doubt due to the fact that the League was, in this instance, proving a useful ally to the Empire. Even the *Toronto Globe*, which had been consistently denouncing the League on general principles, suddenly found virtue in a League that supported the Empire. Another section of opinion, the anti-imperialist, naturally saw in Great Britain's firm stand against Italian aggression in Ethiopia simply another phase of the imperialist scramble for territory. Great Britain was obviously intervening, it was said, not in order to vindicate the principles of the Covenant, but simply because her own interests in Egypt and the Mediterranean and the Far East were, or might be, adversely affected. Still a third group should be mentioned, comprising most French-speaking Canadians and not a few English-speaking, which clearly became alarmed when Sir Samuel Hoare's speech in September was followed by the naval demonstration in the Mediterranean in October. The French-Canadian point of view may be described as isolationist-imperialist; French Canadians believe in the Empire and want to see it strong, but they are fearful of, and for the most part do not see the need of, any outside commitments, through the League or otherwise, which may involve Canada in war. The alarm of the English-speaking isolationists, on the other hand, follows naturally from their view that Canada's proper course is to accept the implications of her geographical and economic position, and to move more and more, so far as international relations are concerned, into the orbit of the United States.

While these various divergent views were undoubtedly held by considerable numbers of people, the Government was certainly right in its judgment that the country

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was predominantly in favour of joining with the other States members of the League in applying financial and economic sanctions.

It is true that the question of participation in military sanctions, if they should become necessary, was not faced. The political leaders, with an election on their hands, declared that that question was one for the new Parliament, and the country at large may be said to have been "not ready for the question." But it was luminously clear that the uncertainty and hesitancy about the country's relation to the League, whether independently or as a member of the Commonwealth, had been largely swept away; the English-speaking press, with unimportant exceptions, vigorously approved of the support given to Great Britain by the Canadian spokesmen at Geneva. Thus, too, there was widespread approval for the proposal made on November 2 by a Canadian representative that oil, coal by-products, iron and steel should be added to the list of prohibited articles, though doubts were entertained in some quarters whether such a proposal should not have come from one of the great Powers rather than from a minor State; and, it must be added, there were many, not merely in Quebec, who strongly disapproved of Canada's doing anything that might result in her being involved in war. Broadly speaking, then, in September, October and November opinion formed and moved rapidly, and for the most part in one direction—towards the view that Canada's place was with the other Commonwealth countries, supporting Great Britain in the lead she was giving to the League as a whole.

This view of the situation may be said to have been borne out by the way in which the country received the Canadian Government's denial that its representative had been authorised to propose the addition of oil and other raw materials to the list of "sanction" commodities. While the repudiation was undoubtedly approved by French Canada and by the isolationist "continental" school of thought generally, as marking a determination to preserve

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freedom of action if financial and economic sanctions should lead to war, equally clearly there was widespread approval of the view taken by most of the leading English-speaking newspapers, like the *Toronto Globe* and the *Winnipeg Free Press*, which deplored what they regarded as a weakening of the hands of the League at a critical time. It was to be noted, too, that, however opinion might be divided on the wisdom of Canada's taking the initiative in proposing an intensification of the sanctions programme, there was practically no protest against participating in the measures that had already been adopted. The clear, firm lead given by Great Britain had made the majority of Canadians feel practically for the first time since the establishment of the League that the collective security system might be made effective and that Canada's duty was to assist in making it so.

To this new-found clearness of outlook the news of the Hoare-Laval proposals naturally came as a rude shock. While knowledge was lacking of the considerations involved, the country was naturally mystified by the contrast between the action of December and the professions of September; and in the interval before the British public demanded the repudiation of the proposals all the old doubts about Canada's relation to the League, both individually and as a member of the Commonwealth, were revived. To-day, presumably, Canadian public opinion is back where it was before the Hoare-Laval proposals, with this exception, that there is a greater realisation of the seriousness of the situation and of the responsibilities involved in membership of the League.

If, however, it is asked whether Canada is now ready for the question, "Will you, if the policy of sanctions leads to war, carry your support of the League to the point of participating in armed action?", the reply must be in the negative. The following summing up of the situation by *Saturday Night*, a Toronto independent Conservative weekly, in its issue of December 14, is both detached and accurate:

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It is not very helpful for Toronto newspapers whose party has at the moment no responsibility for Canada's external policy to protest earnestly that "League countries must be prepared to enforce their rulings with whatever measures are necessary, must be prepared to meet attacks from the nation that has broken its pledges, or else the League becomes nothing more than a meaningless name". The uninformed reader might suppose from this that the party which these newspapers support was committed to a policy of enforcing the rulings of the League "with whatever measures are necessary". But no party in Canada is on record to any such effect. No party in Canada has accepted the principle that Canada must be "prepared to meet attacks" from recalcitrant nations—unless meeting an attack includes yielding to it without resistance. The limitation of Canada's obligations to economic measures alone, the careful exclusion of all military commitments, is a policy common to all the great Canadian political parties, and one which we imagine will continue to be common to all the parties so long as Canadian public opinion remains what it now is. Mr. Meighen, who is cited in some of these articles as an example of the proper heroic attitude for Canadians to take in the present situation, is so far from being an advocate of the acceptance of any military commitment by a Canadian Government that he once enunciated a proposal forbidding even Parliament to declare war without first securing the sanction of the electors in a plebiscite. Mr. Bennett's attitude on the subject of Canada's obligation as a League country to enforce the rulings of the League "with whatever measures are necessary" is exactly the same as Mr. King's.

If Canada is not "ready for the question" to-day, when, it may well be asked, will she be ready? The only answer that suggests itself is "When the actual need for armed action by the League arises". This, no doubt, is anything but satisfactory from the standpoint of a country that is likely to be the first to be attacked by the aggressor against whom sanctions are being applied. In the same way it was most unsatisfactory, not to use a stronger word, for France in 1914 not to be able to get a definite promise from Great Britain that she would come to France's support if Germany attacked. If it was impossible on that occasion for Great Britain, only twenty-one miles away, to promise in advance, is it not natural that Canada, nearly three thousand miles away, should find it difficult? That, in any event, appears to be the situation; the country has

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not got beyond the point of saying: "We agree to fulfil our obligations under the Covenant so far as financial and economic sanctions are concerned, and, if these do not prove sufficient, we will join with our fellow members in examining what further steps should be taken." Which, incidentally, is exactly what the other fifty odd "sanction" members are saying. It may appear rather a "limited liability" attitude to adopt, but there is this, at least, to be said, that the decision to persevere in the application of non-military sanctions has been taken in spite of a clearer realisation than ever before of the grave risks involved.

The fact that the country has reached this point without any serious protest from the not inconsiderable number of people, not confined to Quebec, who think that Canada should adopt an isolationist, North American policy, and follow the United States rather than work with the Commonwealth and the League, strongly suggests that there will be no going back on the policy of supporting the League.

While the League of Nations Society cannot be said by any means to be thoroughly representative of Canadian opinion, its resolution passed in November, endorsing "the action of the Canadian Government in agreeing to co-operate in the imposition of economic and financial sanctions in order to restore peace in the present crisis," is not without significance. The longer the League policy is persevered in, the more unlikely it obviously is that those who take the isolationist, continental view will be able to persuade the country to abandon it; for in addition to all the other reasons against such a course there will be the moral obligation not to desert fellow members at the very moment when the risks that all have assumed in common have materialised. This, of course, will depend on whether those same fellow members, and particularly Great Britain, remain loyal to the League policy. Any sign of weakening in support of the League on the part of Great Britain would have immediate and far-reaching

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repercussions in Canada. Thus Mr. J. W. Dafoe, our foremost journalist, quotes with approval, in the January 8 issue of the *Winnipeg Free Press*, the view expressed in a letter to *The Times* from Professor W. K. Hancock, written following the Hoare-Laval episode :

The true view of the British Commonwealth to-day is something like Burke's view of party. The Commonwealth is a body of nations united under a common head in support of a principle. Unity in foreign policy must be won by the consent of all members of the Commonwealth to a common policy; it can no longer be imposed by decisions taken in London. The separate decisions taken in London, Dublin, Ottawa, Canberra, Wellington, Pretoria, will harmonise only if they are taken in accordance with an agreed code of principle and procedure. If through lack of courage or a short-sighted view of her interests Great Britain allows herself to be forced from the solid ground of principle on to the shifting ground of diplomatic barter, it will be difficult for the free communities associated with her under the Crown to understand and follow her manœuvres. Anybody who knows public opinion in any one of the Dominions must be intensely aware of this. The enlightened self-interest of the British Commonwealth demands a loyalty to the League which may be prudent, but which must be unambiguous.

Mr. Dafoe continues :

What Prof. Hancock is saying in this guarded language is that if Great Britain embarks on "diplomatic manœuvres" involving the repudiation of League principles, it will be difficult—very difficult we would say—for the Dominions to follow her. If the jingoës, die-hards and isolationists of Great Britain could get through their thick heads the thought that the destruction of the League will make the continuance of the Commonwealth on its present basis difficult, and perhaps impossible, they might change their minds. The idea, which largely explains their hostility to the League, that with the disappearance of the League an armed and centralised empire will spring into being, has no relation with actuality; it is nothing but a dream.

Without following Mr. Dafoe into the realm of prophecy, this at least may be said of the present situation, that support of the League appears to be not merely the policy most likely to unite the various divergent elements in Canadian public opinion, but the only policy that will begin to do so.

CANADIAN-AMERICAN TRADE AGREEMENT

II. THE CANADIAN-AMERICAN TRADE AGREEMENT

THE history of Canadian-American trade relations has been marked by paradox and curious contradictions. Here are two countries with closely related economies, which, in spite of many superficial irritations, have consistently improved their mutual understanding and yet have almost continuously been raising tariffs and other trade barriers between themselves. For seventy years, with occasional interruptions, there have been increasing tariffs and yet increasing trade, both absolutely and relatively. In both countries, there have been from time to time strong movements for reciprocal or negotiated tariffs, but these movements have always just missed each other.

The first, unsuccessful attempt to negotiate a reciprocal trading agreement occurred about 1650, when New England traders tried to secure access to the St. Lawrence valley by sea. During the eighteenth century, in spite of difficulties of transport and legal prohibitions, an active smuggling trade existed between New York, Albany and French Canada. In the nineteenth century, as soon as the first St. Lawrence canal system was opened, a large trade developed through the processing, in the Montreal-Quebec area, of American raw materials, particularly wheat, which thus acquired a Canadian nationality and the right to preferential entry into the British market. The repeal of the Corn Laws, the establishment of free trade and the consequent disappearance of preference on Canadian flour in the British market destroyed the *raison d'être* of this trade and produced financial desolation in Montreal. One result of these events was the drive for reciprocity with the United States, a drive that came to a successful conclusion in the treaty of 1854. This treaty, after lasting twelve years, was denounced by the United States and passed into history in 1866. From that time on there occurred a succession of unsuccessful "pilgrimages to Washington,"

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but when at last in 1910 American policy changed and the agreement of 1911 was drawn up, it met a flood-tide of Canadian nationalism and was defeated by the country that for forty years had been seeking just such an arrangement.

The decade of the 1920's saw a renewal of higher tariffs in the United States, first the Fordney-McCumber tariffs of 1921 and 1922 and then the Hawley-Smoot tariff of 1930. Both of these upward revisions applied particularly to agricultural products and raw materials. The American manufacturer had long been highly protected. The post-war depression hit the American farmer with great severity, and largely increased tariffs were the remedy administered. The 1922 tariff affected especially cattle, fish, fruits, cheese and vegetables. Many market gardeners thriving on the Canadian side of Lake Erie were summarily bankrupted. The 1930 revision was even more drastic, the rates on cattle, milk, cream, potatoes and many other items being increased by upwards of 50 per cent., in some cases by 200 per cent. A considerable list of goods, especially in the lumber schedules, that formerly entered free were made dutiable. Many of the Hawley-Smoot duties were entirely prohibitive and wiped out large and valuable lines of trade.

The sharp increases in the Canadian tariff in 1930 and 1931 were to a considerable extent retaliatory. These increases were reinforced by a wide extension and a free use of the powers of administrative protection (*e.g.*, fixing special valuations for duty purposes by ministerial decree, with the consequent imposition of very heavy dumping duties). These tariff increases were the first in Canadian history that really seriously injured the American export trade to Canada. A trade valued at \$868,000,000 in 1929 had fallen to \$235,000,000 in 1934. In 1929 the United States supplied 69 per cent. of Canada's imports, in 1934 only 55 per cent. On the other hand, Canadian exports of agricultural and animal products to the United States,

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which had totalled nearly \$150,000,000 in 1929, fell to \$17,000,000 by 1933. In 1929 the United States was taking 18 per cent. of Canada's exports of these classes, in 1933 only 6.9 per cent.

As the depression deepened and the strain in the Canadian West neared the point of collapse, the problem of markets became one of paramount urgency. The Ottawa agreements provided a stay of execution rather than a real release. It was natural, therefore, that the Canadian Government should have been among the first to open conversations in Washington as soon as the Reciprocal Trade Agreements Act became law. The Act empowered the President to reduce existing duties by not more than 50 per cent., but forbade him to put any dutiable article on the free list.

The course of negotiations was not smooth, especially for the United States. Canada naturally wanted freer entry for the products of her depressed primary-producing areas, and in return could offer concessions chiefly in manufactured goods, sub-tropical fruits and early vegetables. But the Government at Washington was engaged in a gigantic and highly complex programme of controlling the production and raising the prices of just the kinds of goods on which Canada wanted concessions. Moreover, Washington had hopelessly alienated the political affections of the manufacturers who might benefit by the Canadian concessions, and had placed large reliance on the agricultural vote, which would thus be jeopardised.

The technical side of the negotiations had been carried on steadily from the autumn of 1934 to the late summer of 1935 and was practically completed before the Canadian general election in October. The obstacles to final drafting lay in Washington and not in Ottawa. Apart from its own political indecision, Washington clearly preferred to sign an agreement with a Government fresh from the polls, rather than with one just at the end of its legal tenure of life. Much the same agreement might possibly have been

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signed at much the same time if Mr. Bennett had won the October election. It was also desirable to keep the details of the agreement out of the dust of the electoral arena. As it was, both the major parties were committed in principle to an American trade agreement. Had the discussion been centred on a complicated schedule of particular tariff changes, the public debate would have produced much more heat than light, and political leaders might have been manoeuvred into unfortunate unpromising positions on particular details. While, however, the clear-cut Liberal victory enabled Washington to negotiate with confidence, it did nothing to change the internal balance of political forces in the United States. Close American observers were quite as surprised as Canadians at the change in the attitude of the American Government during the last week in October and the first week of November, and at the speed with which the agreement was finally signed. This rapid consummation must be regarded in large measure as a personal triumph for Mr. Mackenzie King in obtaining the President's active and keen support for a trade agreement.

The principal clauses in the agreement signed on November 15, 1935, can be summarised briefly. Let us see first what Canada gets.

1. Reduced rates of duty on 63 items. On 27 items, including lumber and timber, dairy cows, halibut, smoked herring, whisky, pulpwood, oats for feed, and grass and fodder seeds, the reduction is the maximum of 50 per cent. permitted to the President. Other reductions of from 20 to 49 per cent. of the existing rates include important chemicals, cattle, horses, poultry, cheese, cream, fish, apples, seed potatoes, lime and hay. In general, the rates are cut to approximately 1929 levels, *i.e.* pre-Hawley-Smoot tariff.

2. On four items the present rate of 10 per cent. is to be continued, and 21 important items are guaranteed free entry during the life of the agreement. Included in this free list are agricultural implements, asbestos, furs, woodpulp, newsprint, gypsum, shingles, lobsters, logs and posts.

3. On a few items the United States applies, or reserves the right to apply, quotas to the Canadian imports at the new rates of

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duty. These are Douglas fir and Western hemlock (250,000,000 feet), cattle (228,000 head), seed potatoes (750,000 bushels), cream (1,500,000 gallons) and shingles (25 per cent. of United States domestic shipments in the previous six months). The lumber quota represents about 50 per cent. of 1929 exports, the cattle quota 90 per cent., and the quota on cream about 63 per cent. In 1935 our fir and hemlock exports to the United States were less than 4,000,000 feet, and cattle exports only 27,000 head, while cream exports had entirely ceased.

4. The total volume of Canadian exports to the United States was \$503,000,000 in 1929 and \$227,000,000 in 1934. The agreement lowers tariffs on items that in 1929 amounted to \$80,000,000 and in 1934 to \$30,000,000, and guarantees the continuance of free entry to exports that amounted to \$229,000,000 in 1929 and \$118,000,000 in 1934.

5. Canada receives from the United States unconditional most-favoured-nation treatment (excepting Cuba).

6. Finally, by entering into a trade agreement with the United States Canada escapes the 50 per cent. surtax penalty which under the American law was mandatory against countries discriminating against United States trade. The United States Government had declared that the existence of a three-column tariff and a refusal to enter into mutual unconditional most-favoured-nation relations was *ipso facto* discrimination.

These concessions to Canada are undoubtedly of great value. Canada would have liked more, especially on fish (cod is not included in the reductions), lumber, and dairy products (milk and butter get no reductions), and in the size of the quotas. But she has obtained substantial relief for the western lumber and cattlemen, for the maritime fishermen and farmers, for the Ontario and Quebec mixed farmers, and also on a number of small but fairly important mineral and chemical items.

What does Canada give in return?

1. First, unconditional most-favoured-nation treatment (excepting the British preferential tariff). This automatically extends the whole intermediate tariff to the United States in place of the general tariff. In many cases the general and intermediate rates are the same. On the great majority of items the difference is $2\frac{1}{2}$ per cent. Only in a few items is the difference more than 5 per cent. The more important of these are certain types of textile yarns, clothing, jewellery, machinery and the more expensive kinds of motor cars.

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2. Canada also grants a number of special reductions below present intermediate rates. The most important are on oranges, fruits and vegetables, farm implements, magazines and most types of machinery.

3. The Canadian Government undertakes to invite Parliament to enact legislation permitting *bona fide* returning Canadian tourists to bring in free of duty incidental purchases up to a value of \$100 under conditions similar to those applying to returning American tourists.

4. Finally, and perhaps most important of all, the Canadian Government undertakes at the next session of Parliament to propose amendments to the Customs Act with a view to eliminating arbitrary executive interference with the normal course of trade. Specifically, Canada agrees to cancel forthwith the special customs valuation orders on 20 items, to limit future seasonal valuations on certain fresh fruits and vegetables to 80 per cent. of the lowest seasonal advance in valuation proclaimed during the years 1933 to 1935, to give adequate notice of future changes in rulings, classifications and valuations, and to permit appeal to the Tariff Board by interested parties against such orders. Canada has not entirely surrendered the right to use "administrative protection". For example, if a foreign exchange situation arises in which she feels it necessary to apply compensating duties against American imports, the matter must be one for negotiation, but if no arrangement satisfactory to Canada can be reached after thirty days, she has the right to terminate the agreement in its entirety.

There is some complaint that, since the general tariff has always been drafted with an eye to American competition and the intermediate in the light of European competition, the automatic extension of the intermediate tariff to the United States will produce serious inequalities. While a general raising of intermediate rates is clearly contrary to the whole spirit of the agreement, Canada will probably make a few minor upward adjustments of intermediate rates during the next year. The abolition of the duty on periodicals and magazines has aroused the most vociferous protests, but it must be remembered that those affected are in a good position to publicise their protests. This duty was first imposed in 1930. The Canadian circulation of many American magazines was curtailed, but a large number of the least desirable sort maintained

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or increased their Canadian circulation by printing editions in Canada. In many cases the lower duties on manufactured goods will not materially affect the volume of imports, since such goods are often made in Canada by American branch plants. The Canadian consumer should benefit, however, through somewhat lower prices.

The agreement runs for three years and continues thereafter subject to six months' notice by either country. There is provision for abrogation within a 75-day period in the unlikely event of unsettled disputes over any future quota, exchange restriction or similar policies.

It is impossible to estimate in any detailed way the effects of so complicated a change in tariffs. Broadly speaking, the tariff reductions are genuine and fairly extensive, and reduce the general levels of the two tariffs to more or less the levels of 1929. Much depends on the spirit in which the tariffs are administered. Hitherto the administrative staffs on both sides of the border seem to have been animated by the idea that imports *per se* are evil and that the way of the importer ought to be made as hard and as inconvenient as possible. In the winter of 1931-32, for instance, it became profitable to sell Canadian canned tomatoes in the United States in spite of the high duties; but after one car-load had entered subsequent shipments were held up at the border for many weeks while the officials enquired whether or not the goods complied with pure food Acts, marking and labelling Acts, and half a dozen other Acts, until railway, warehousing and other charges had turned a small prospective profit into an almost complete loss. Lowering duties will not avail much if the spirit that produces such official obstruction remains.

The Canadian-American trade agreement impairs neither the letter nor the spirit of the Ottawa agreements, though it must have certain effects on Empire trade. Any benefits extended to the United States, not already conceded to Empire countries, will of course immediately be extended to them. Free entry for American oranges during the

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most important months of the year will doubtless curtail the growing imports from South Africa and Palestine. Lower duties on industrial machinery are not likely to effect any diversion of trade. The lowering of American lumber duties will doubtless moderate the urgency of the political pressure that has been exerted by Canadian lumber interests in London to secure the limitation of Russian lumber shipments to the United Kingdom. The increased market for cream in the United States will diminish our dislike of New Zealand butter.

In conclusion two points of major significance may be noted. First, this agreement introduces for the first time the principle of unconditional most-favoured-nation treatment between Canada and the United States. Secondly, it is the most important major break in the post-war movement of steadily rising tariffs the world over. Canada may well hope that it will mark the turn of the tide.

Canada,

January 1936.

AUSTRALIA

I. THE LEAGUE AND SANCTIONS

AUSTRALIA has kept in step with the rest of the British Commonwealth and the League in the imposition of economic sanctions against Italy. Proposed without any clear conviction that it would achieve any useful object, and opposed with heat but without effective alternative, the Sanctions Act 1935 became law on November 15—a brief and matter-of-fact measure, entitled baldly “An Act relating to the application of Sanctions against Italy.” The Act makes provision, in one way or another, for implementing the four October proposals of the Sanctions Co-ordination Committee.* Earlier in 1935, the Government had taken power to prohibit the export of arms save under licence from the Minister, and by administrative instructions on October 17, before the Bill was introduced, it had already taken steps to prevent the export of arms to Italy. By November 18, the date fixed at Geneva, all the proposals were in operation in Australia.

The effect on Australian business is not likely to be considerable, apart of course from any retaliatory measures that may be taken by the Italian Government. Other markets can readily enough supply most of Australia's imports from Italy, averaging about £500,000 a year, and including chiefly such things as silk goods, hats, marble, sulphur, and edible nuts. Exports from Australia to Italy are more considerable. They have been much smaller since the depression, but have amounted recently to about £3 million—chiefly wheat, wool, meat, copra and zinc. No important item appears yet to have been included in the

* See THE ROUND TABLE, No. 101, December 1935, p. 5.

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prohibited list. How much of the non-prohibited trade will be retained is perhaps another question. But in any event Australia does not face grave economic dislocation as the inevitable result of imposing the sanctions so far agreed upon. Parliament could well afford to debate the Sanctions Bill, and did in fact debate it, on general grounds.

Not for many years has the House of Representatives had so full a discussion of international affairs. Indeed there has been discussion on the Italo-Abyssinian dispute and its implications ever since the end of September; for the session opened with a statement of policy by the Prime Minister, whereupon Mr. Beasley, the leader of the "Lang" Labour party in the House of Representatives, had moved by way of amendment that the House should formally declare Australia's neutrality in any war that might arise from the Italian designs in East Africa.*

Mr. Beasley's amendment was not negated till October 11, when hostilities had already commenced and the Sanctions Co-ordination Committee was already at work. Voting took place strictly on party lines, Mr. Curtin (Mr. Scullin's successor) leading the "Federal" Labour party into the lobbies with Mr. Beasley's party. The debate was interesting as disclosing the view of inter-imperial relations at present held by some of the Labour leaders. The view of the Government was put by the Attorney-General (Mr. Menzies), with his customary lucidity. He contended that neither the Balfour declaration nor even the Statute of Westminster had set aside that common allegiance to one indivisible Crown which is the fundamental legal bond of Empire. From that legal unity he drew the familiar conclusion that if the King is at war all his subjects are at war, and accordingly that a Dominion which declares itself neutral in a war to which the British Crown is a party *ipso facto* repudiates its allegiance. In this view, such a declaration of neutrality is tantamount to secession. Mr. Menzies went on, of course, to admit that, though a

* See THE ROUND TABLE, No. 101, December 1935, p. 178.

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Dominion could not as such remain technically neutral in the King's war, the extent of its actual participation in the war was a matter for its own determination. He set the policy of neutrality over against the policy of non-participation, seeing "an enormous gulf" between them. But that distinction was entirely lost on the Opposition—not so much because they did not understand it as because they proceeded from a view of inter-imperial relations that did not require them to draw it.

Mr. Frank Brennan, for instance, who as Mr. Scullin's Attorney-General had attended the Imperial Conference of 1930, expressed a view which is orthodox in the Irish Free State, and in some quarters at least in South Africa too. The fundamental fact, he said, is that a Dominion has now become "a nation, competent to speak for itself upon all questions whatsoever: among others, to declare war or peace". The fact that "the King who is King of Australia, and is advised by Australian Ministers, is also King of Great Britain and of the other Dominions" is accidental, not essential. The Crown is not one, but several. No doubt it was of non-participation rather than of neutrality in the strict sense that Mr. Brennan was thinking in this particular instance, and between non-participation (or "passive belligerency") and actual neutrality the difference may seem rather academic. It is doubtful whether the description of the British Commonwealth of Nations by several Labour leaders in terms of a mere "personal union" represents any very widely held or clearly thought-out view, either in Australia generally or even in Australian Labour itself. But it is worth noting that the Labour leaders did adopt, on this occasion, the newest constitutional doctrines of what in Australia we are accustomed to regard as the "advanced" Dominions.

It was upon the basis of these discussions that the House proceeded to the debate on sanctions. The Bill was admirably introduced by the Attorney-General, who represents in the House of Representatives the Minister

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for External Affairs (Senator Sir George Pearce). The Government has rested its case throughout on two simple principles—support of the British Government and support of collective security. It was upon the latter that Mr. Menzies concentrated.

The policy of the Government of the Commonwealth is one of encouraging and strengthening the notion that the interests alike of civilisation and of good sense require that the business of preserving the world's peace should cease to be nobody's business and should become, if not everybody's business, at least the business of all those nations who exercise any substantial degree of authority or influence.

It was of the essence of the Government policy that sanctions should be genuinely collective. Hence the Act contains a special provision enabling the Governor-General to suspend the financial sanctions at any time. Hence also the Governor-General is empowered to terminate the whole Act if in his opinion the necessity for its continuance no longer exists. These safeguards would enable the Government to take immediate action if events occurred that deprived the sanctions of their "collective and effective character". "Confronted by a choice between supporting the League, and thus doing something for the future collective security of the world, and rejecting the League, with all the grievous implications of such a step", the Government was determined to implement its obligations under the Covenant.

Critics in Australia, as elsewhere, were not slow to point out that the Geneva proposals were far less comprehensive than the plain words of Article 16 of the Covenant. Mr. Menzies met this point by explaining with some care the relation between the terms of Article 16 and the League's resolutions of 1921. He summed up as follows :

The procedure of the League of Nations during the last three weeks has been based upon these resolutions, which, as I have said, represent an attempt to give a fully workable character to the provisions of the Covenant. I may, perhaps, be pardoned if I pause to emphasise two points. The first is that the members

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of the League have, without destroying the absolute nature of the obligation to impose sanctions, provided for a means of co-ordination which can, as in the present case, lead to the imposition of special or modified sanctions. The second is that a blockade, stated somewhat baldly in Article 16, is accurately treated as the kind of sanction which can be invoked only by special circumstances. . . .

The Sanctions Co-ordination Committee is not an instrument of the Council or of the Assembly, but is in substance a conference of League members to assist them in carrying out their obligations under Article 16. Its decisions are in a sense recommendations to governments and therefore the rules as to unanimity do not apply. It would be a mistake, however, to assume that because this committee is merely making recommendations its decisions may at will be ignored by Australia. What it is doing is to make recommendations to us as to when and how and in relation to what specific matters our obligations should be discharged. If we do not care to accept its recommendations, we are not thereby released from our obligations; if we refuse to come into line with other countries on the special non-military measures and means suggested, the only result is that we are remitted to our obligations under the Article in their absolute and unqualified sense. Honourable members will therefore at once see that while we have an effective voice through our representative on the committee, our freedom to accept or reject the ultimate recommendation of the committee, so far as it relates to economic sanctions, is nominal rather than real.

With one courageous exception (Mr. Blackburn, M.H.R.), both Labour parties strenuously opposed the Bill at every point. There has been a sharp division of opinion in Labour organisations in the constituencies, but not along the same lines as in Great Britain. The substantive grounds taken in Parliament have been isolationist rather than pacifist. To the Government's contention that Australia should follow the British Government, the Labour leaders replied by insisting on Australia's full independence. To the Government's contention that Australia should support the principle of collective security embodied in the Covenant, they replied that circumstances have so changed since the Covenant was signed that its obligations cannot now be regarded as binding, and that in any case "sanctions mean war". The attempt to show that the Covenant is no longer binding was a rather half-hearted one. The gravamen of

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the Labour attack was that "a vote for sanctions means a vote for war".

What the Labour leaders had in mind in saying this was partly the fear that obscure and sinister forces had planned another world war, this time with "the collective system" and "the League principle" as slogans to enlist the support of the idealistic. The sudden fervour of the support that was forthcoming in unexpected places for the "sacred principles of the Covenant" intensified their fears. So did their recollections of the Sino-Japanese dispute in 1931-32. During the course of that dispute the Australian Government expressed itself as wholly in accord with the policy followed by the British Government, but refused to discuss in Parliament the issues involved. Australian opinion has never been very much alive to the considerations, economic, political and strategical, which in the minds of many well-informed people made impossible any collective action in the Pacific in 1931-32. The result has been that the failure to take collective action then was used in the crudest way as an argument for abstention now. It was also urged that the Covenant was now being used merely as a screen for imperialistic interests.

In any case, the Labour spokesmen contended, sanctions must of their very nature provoke war. For that view, they gave very distinguished authority. Had not Mr. Baldwin himself, for instance, said that "there is no such thing as a sanction that will work that does not mean war"? Sir John Latham, again, sometime Commonwealth Attorney-General and recently appointed Chief Justice of Australia, had written in a similar strain:

The application of economic sanctions is not a substitute for war. It is really an act of war. Any one who remembers the nature and effect of the Allied blockade of the Central Powers in the Great War will hardly deny that a blockade is definitely an act of war. The prohibition of economic and other intercourse must involve, in many cases, if it is to be effective, the establishment of a blockade. . . . If the prohibition of intercourse is to be real and if it is resisted, then the governments

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applying the sanctions must be prepared to see the matter through by the application of physical force.

Finally, there was the authority of Mr. W. M. Hughes, war-time Prime Minister of Australia and at that period Minister for Repatriation in Mr. Lyons's Government. In a book entitled *Australia and War To-day*, published actually during the debates on the Bill, he had said :

All effective sanctions must be supported by adequate force. Economic sanctions which do not materially hamper Italy's war-like operations are not likely to deter her from aggression. If on the other hand sanctions that cut off her food supplies and raw materials, and threaten her line of communication, are applied she will use every means at her disposal to compel the nations responsible to abandon them. In the highly-strung mental state of the Italian people this means resort to force. . . . Economic sanctions are, therefore, either an empty gesture or war.

In all these cases, it is clear that the writer had a blockade in mind. The Labour speakers in the House were of course quick to point out that Article 16 of the Covenant did in terms impose an obligation to establish a blockade. But that did not prove at all either that the Government's support of the Covenant was illusory, or that the sanctions proposed by the Government necessarily meant war. The Government was in fact implementing Article 16 in the sense in which the League had agreed it should be interpreted, and in the process Australia was going as far and as fast as the rest of the "sanctioning" countries desired or would go. On the other hand, whatever might be said of a blockade, it could not be reasonably maintained that the refusal of loans and credits or the prohibition of imports and certain exports were in themselves "acts of war". The Japanese, indeed, had claimed in 1931-32 that the Chinese boycott amounted to an act of war, proclaiming their armed retaliation a legitimate measure of self-defence. But the opinion of the world had been heavily against them. True, even such measures might be forcibly resisted by a desperate opponent willing to range the whole League in

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arms against himself. But the Government made a strong case for the view that the measures it proposed could and should be discussed as measures of peaceful constraint.

At this very point, however, difficulty arose about the views expressed by Mr. Hughes in his book. It was not a book on the League and the Italo-Abyssinian war, but a book on Australian defence policy, in which the question of sanctions against Italy was only incidentally, though trenchantly, discussed. Mr. Hughes' object was to arouse the Australian people to the need, as he saw it, for a vigorous policy of increased armaments, especially for service in the air. His thesis was that the League system had altogether broken down; that it could only have worked if the nations were prepared to back the Covenant with overwhelming force; that in fact they were not prepared to do anything of the kind, and therefore that each nation must now look to provide alone the means of its own security; that economic sanctions short of a blockade are an empty gesture, and that a blockade would involve war; in short that by whatever route Australia must face the necessity of increased armed preparedness.

With much of this thesis the Government would no doubt have been in agreement. The point of disagreement was narrow, but sharp. The Prime Minister at once requested Mr. Hughes' resignation, saying that his view "challenged the wisdom and sincerity of the Government's Sanctions Bill", and that on so vital a matter a divided front could not be permitted. A good deal of sympathy for Mr. Hughes was felt throughout the country. He has a strong following among returned soldiers, his views are already widely held, and many people who do not usually share his views felt that he had been treated rather severely. Nevertheless, the Prime Minister rightly regarded Mr. Hughes' statements as inconsistent with the views that the Government had expressed on the effect of its policy. The Opposition, with mingled delight and bitterness, treated the book precisely as impugning both the wisdom and the sincerity

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of the Sanctions Bill. Mr. Hughes, they said, had had the courage to tell the country exactly what the policy of sanctions involved: it meant war, as they had said all along. On the whole, Mr. Hughes made the differences even more plain in the House by saying that he welcomed the Government's proposals for sanctions and proposed to vote for the Bill; that "we cannot allow the aggressor to go on his way and ignore both the law and the other peaceful nations"; and that he would not "hesitate to see this thing through". Presumably his own policy would be to push on at once—subject of course to assurances of French support—to a blockade of Italy, realising that it would probably lead to war.*

The Opposition insisted that this was the true alternative to their own policy of non-participation in the imposition of sanctions. They agreed that economic pressure by a universal League might be effective. But under existing conditions the only thing to do was "to rely on the effect of our voice in contributing to the moral conscience of the world, and in persuading Italy to return to a sense of its obligations".

Public opinion seems on the whole to have rallied strongly to the support of the Government. With striking exceptions, there has been too much emphasis on the legal and constitutional aspects of the problem to fire the imagination of the plain man. There has been too little public discussion of the positive general ideas underlying the collective system. But there has been a remarkable degree of support for the policy of sanctions, even though it is often treated almost as a *pis aller*: "after all, the only thing we can do under the circumstances".

* Mr. Hughes has since been reappointed Minister of Repatriation.
—*Editor*.

AUSTRALIA

II. THE COMMONWEALTH GRANTS COMMISSION

AS will be well known to readers of THE ROUND TABLE, the financial provisions of the Commonwealth constitution give financial predominance to the Commonwealth; among other provisions for transferring funds from the Commonwealth to the states is section 96, which authorises the Commonwealth to "grant financial assistance to any State on such terms and conditions as the Parliament thinks fit". For varying periods, Western Australia, South Australia and Tasmania had been in receipt of special grants by virtue of their financial embarrassments. The amount of these grants was frequently made the subject of enquiry by Royal Commissions, and they always caused a good deal of parliamentary heart-burning.

In 1933, however, in the hope of laying down some permanent principles upon which the financial relations of the Commonwealth and the less populous primary-producing states might be adjusted, the Commonwealth Government appointed a Commission for three years to investigate the claims for special assistance made by the three states just mentioned (the "claimant" states). This Commonwealth Grants Commission has made two reports so far, each of which is a perfect mine of information to the student of political institutions in actual working. The members of the Commission are able and experienced, and they have attacked the whole problem of finance and federation with patience and thoroughness. If the Commission had done no more than make acceptable recommendations for grants, so that the Commonwealth Parliament had only to enact the necessary measures to give effect to the recommendations, it would have served a useful purpose. But from one point of view this has actually been the least important part of its work. Of great and permanent interest are the conclusions it has reached upon the general problem entrusted to it.

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On examining the financial provisions of the constitution, the Commission came to the conclusion that it would not have been wise or practicable to give to the central government financial powers less extensive or less flexible than it has at present. As the constitution stands, the Commonwealth has an exclusive power of customs and excise taxation and concurrent powers in direct taxation. Under normal circumstances this division of powers would place the Commonwealth in a position superior to that of the states, and the constitution made express provision in various ways for transfer of moneys from the Commonwealth to the states. In the Commission's view no federation could possibly escape from a system in which one government would raise money that another government spent. Full financial responsibility could not perhaps be achieved under such a system. But the Commission did not regard the Australian financial system as open to effective criticism on this ground. A survey of Australian finance showed in fact that there was a more or less continuous process of redistribution going on from the Commonwealth to the states. The Commonwealth raises taxation, broadly speaking, on the basis of taxable capacity, and distributes it directly or indirectly (either in services or in grants) on the basis of population. This definitely favours the less populous primary-producing states, in which taxable capacity is lower than it is in the manufacturing centres of the south-east.

Fundamentally, the Commission traced the unfavourable position of the claimant states back to the conflict between political and economic forces within Australia. Even at the risk of excessive quotation, perhaps it is best here to let the Commission speak in its own words :

Australia tends to develop into one large economic unit, and industry tends to specialise on that basis the manufacturing industries in the south-east, the rest of the continent being devoted mainly to primary industries. This trend was present before federation, and would have gone on if federation had not been brought about. The states could have interposed certain

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more or less effective obstacles to it, but this policy would have been expensive to them. The effect of federation has been to increase the trend.

This integration of the economic unit is on the whole a benefit to Australia, and it is important that it should not be obstructed. Through it Australia as a whole will enjoy the maximum available standard. The difficulty is that political control over a large proportion of the activities of the community is exercised by states whose boundaries were defined about a century ago without any consideration of the economic position which would grow up. Unification is one solution. But all state governments of necessity are bitterly opposed to any move towards unification, and the peoples of the outer states feel, not unreasonably, that their specialised interests will be sacrificed if the majorities in the south-east have complete control.

From the administrative point of view the federal solution is justifiable because it secures effective decentralisation. The states have definite powers which cannot be overridden and are, therefore, able to assert and defend the interests of their constituents. Thus federation produces an all-round development more satisfactory and more representative than if all political and economic movement were canalised through one political organ. The federation undoubtedly produces difficulties, but these should be dealt with by conferences and discussions and a system of voluntary co-operation.

The result of the conflict is that the smaller and less developed states find it considerably more difficult to provide the services required for their people than those of the more developed states. Taxable capacity is small and the cost of developing farm industry, which falls on state governments, is far greater than the cost of promoting secondary industry through the tariff. A state which is carrying on the task of developing difficult areas may well need special assistance.

In determining the question of compensating a state for the disadvantages of its position, two questions must be kept carefully distinct. The Commission does not think that there can be any compensation for the effects of Commonwealth policy upon the *people* of a state, apart from such compensations or adjustments as may be provided by the Commonwealth Parliament itself as an inherent part of the policy. The Commission remarks that "legislation must be taken as setting the economic conditions under which a people must function". From the point of view of Commonwealth policy the whole

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country must be regarded as a unit, just as it would be under a unitary constitution. The Commission illustrates its point by referring to the fact that, when in England recently wheat and beef and other rural products were protected, the burden fell on exporting manufacturing industries, but no question arose of compensation to Lancashire. The Commission says again :

When economic conditions are changed by legislation, people must adapt their activities to the new conditions, as they would to the effect of changes in the price-structure from any other cause. Population must be left free to move from occupations now become less profitable, and compensation would hinder the necessary movement. The obligation is on the Government not to make changes that require an impossibly rapid rate of transfer, just as it is to slow down the rate of transfer made necessary from other causes.

Compensation to the *government* of a state, however, is an entirely different question. A government cannot change its occupation or its place of residence. If Commonwealth policy imposes disabilities on a state in such a way as to impair the efficiency of its government, there is a real case for assistance by the Commonwealth. Further, the government of a state that is in a distressed financial condition may find it impossible to function at the minimum standard customary for governments in other parts of the federation. It may even threaten financial collapse. In such circumstances there is a strong case for Commonwealth assistance, quite regardless of the causes of the distressed condition of the state.

The Commission, after exhaustive examination, was satisfied that the protective system of the Commonwealth did affect adversely the less populous primary-producing states, but estimated that the injurious effects of Commonwealth fiscal policy were more or less offset by the benefits accruing under the system of revenue-distribution already referred to. Having reached this conclusion the Commission then turned to the other ground upon which special assistance could be supported, namely, the obligation of

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the central government to grant to a financially embarrassed state such assistance as would enable it to function at a minimum standard. Upon that principle the Commission has acted in recommending grants for each of the three claimant states.

The fixing of a minimum standard involves questions of some nicety. Clearly the standard must be fixed in some relation to the standards of other states in the federation, but in Australia the fact that there are only six states, three of which are seeking financial assistance from the Commonwealth, greatly adds to the difficulty of fixing the standard. The three non-claimant states show great variations, and New South Wales presents so many abnormal features that the Commission decided, for the purposes of its second report, to fix a "normal" standard for Australian state governments by striking a simple average of Victoria and Queensland. In its first year's work the Commission struck an average of all three non-claimant states, but this principle was a good deal criticised.

The Commission in its last report took the view that a state seeking assistance should be required to make an effort greater than that necessary in "normal" states, so as to give it ample stimulus to escape from its position of financial inferiority, and so as to ensure that grants of special assistance should not undermine the sense of financial responsibility felt by the claimant states. In fixing the severity of the standard to be attained, moreover, the Commission thought it was equitable to pay some attention to the causes of embarrassment in the claimant states. In part, the inferior position of the claimant states has been due simply to the heavier developmental burdens that the less populous primary-producing states have had to bear. In so far, however, as the difficulties of a state have been demonstrably increased through its own extravagance or unwisdom, the Commission felt that its standard might properly be made more severe.

The assessment of grants is thus a matter of very

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considerable difficulty, allowing wide margins for discretion. In the result, the Commission recommends for the current financial year grants to South Australia of £1,500,000, to Western Australia £800,000 and to Tasmania £450,000. These amounts are in each case rather more than those fixed for the previous financial year. On both occasions the grants were made by the Commonwealth Parliament as recommended. Some of the principles adopted by the Commission may be disputable, and there still remains work to be done on the statistical side, though much has already been accomplished in devising more accurate means of measurement. But on any footing it is hard to exaggerate the importance of the Commission's work in making possible the continuance of federalism in Australia. A system that enables each of the component states to function at approximately the normal standard is a system that offers some prospects of permanence. It should be remarked also that the Commission has so far not found it necessary to attach conditions to the grants it has recommended. The Commonwealth has paid the money to the states, leaving them free to pursue their own policies in expenditure. This again is an important contribution to the survival of federalism.

Australia,
January 1936.

SOUTH AFRICA

I. THE HOARE-LAVAL PLAN AND AFTER

SINCE the last number of *THE ROUND TABLE* appeared, the international problems involved in the Italo-Abyssinian war have not lessened in number or complexity, and there have been two developments that demand comment in these pages. The collapse of the Paris peace proposals last month, and the possibility of the imposition in the near future of an oil embargo against Italy, raise issues of great importance for the Union and the other Dominions. Briefly, these issues can be resolved into two questions. If the proposed oil sanction is enforced by the League and leads to an attack by Italy upon one or more of the sanctionist countries, will South Africa fulfil her League obligations even to the point of war? Secondly, do the circumstances of Sir Samuel Hoare's resignation throw any light upon the future development of the relations between Great Britain and the Dominions in regard to foreign policy?

Let us consider first the question of an oil embargo. At the moment of writing it is impossible to say how far technical difficulties, combined with the necessary caution of Great Britain, as the chief target of Italian animosity, and the well-known reluctance of France to drive Italy to extreme measures, may delay or prevent the imposition by the League of this strict sanction, which might either end the Abyssinian war or start a European one. As far as the Union is concerned, there is no reason to think that her attitude towards the League or towards sanctions has altered or weakened since Mr. de Water's emphatic

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pronouncement on the subject last September at Geneva.* South Africa dare not falter in her support of the League; for the League is for the small nations in general the best hope of defence against aggression; and South Africa in particular, that "Naboth's vineyard"—to use General Smuts' apt simile—desirable for its wealth, isolated, vast, and relatively weak, cannot afford to stand aside and watch inactively the weakening of her two bulwarks of defence, the League and the Commonwealth.

And constantly in South African minds, even of the "purified" type, there arises the question—"If Italian imperialism achieves by aggression its aims in north-east Africa, how long will it be before Germany follows the example thus set of profitable piracy?" And this question comes nearer home than Geneva or Addis Ababa. It was reported only recently that in South-West Africa orders from Berlin had compelled the fusion of the two German factions in the mandated territory, the Deutsche Bund and the Deutsche Front. The significance of this move and of its source was not altogether unappreciated in the Union; for the thought of a German colony re-established within a few hours' flying distance of Capetown is a disturbing one, and even Dr. Malan's partisans, in their enthusiasm for a general redistribution of colonial territories, claim South-West Africa as an exception. Lately, too, the official economic organ of the Nazi party in Germany uttered ominous words about the transfer of colonial possessions from weaker to stronger hands. Here again it does not elude notice that Lourenço Marques is within easy striking distance of the heart of South Africa, the Rand. There are few South Africans who do not realise that their country's interest is bound up with the existence of the *status quo* in southern Africa and in the maintenance, even at the cost of war, of the system of collective security which helps to defend that status from forcible violation. It is therefore reasonably certain that if an oil sanction is

* See THE ROUND TABLE, No. 101, December 1935, p. 181.

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imposed as a collective measure by the League, South Africa, like Great Britain, will as a member State follow wherever such a measure may lead.

Let us turn to the second issue, the implications of the Paris peace proposals in regard to Commonwealth relations. Here we saw the British Foreign Secretary executing a sudden and unexpected *volte-face* in a foreign capital and pledging his Government to a course of action which, however cogent his own reasons, went far beyond any concessions contemplated by his colleagues, and to which when the proposals were revealed a number of them showed themselves definitely opposed. If Sir Samuel Hoare acted in Paris without the full knowledge of his own colleagues in the United Kingdom Government, he acted far less with the knowledge or approval of the South African Government, which as a member of both League and Commonwealth had a very proper claim to be consulted before the British representative embarked upon a course of action that might be interpreted at least as side-tracking both the League and the other members of the Commonwealth. This was a situation in which South Africans, and not only those whom any text will serve for anti-British sentiments, might well say to themselves: "How can we continue to accept British guidance in foreign policy if it shows itself thus incalculable and inconsistent? How can there be any semblance of unity in Commonwealth policy if the British Foreign Secretary may run amuck at any moment?"

Such questions must have been at the back of a good many minds at the moment of the crisis, and might in time have provoked outspoken resentment. But the sound sense of British public opinion, in repudiating the proposals and in compelling the Government to repudiate their author, was prompt enough in its action to tide over a situation that might have aroused serious complications with the Dominions. Public opinion in South Africa was at one with that of Great Britain in its emphatic

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condemnation of the proposals made in Paris. Even a confirmed Malanite observed (no doubt with an eye upon South-West Africa) that it was rather much to buy off the Italians by offering them more than they had conquered. Members of the Union Government, however, very correctly refrained from all public comment upon a matter which, however closely it might have affected South African interests, was none the less technically the concern only of His Majesty's Government in Great Britain. But their views were conveyed to the British Government through the Union High Commissioner in London, and no doubt went to reinforce the demand of the British public for the repudiation of the Paris plan.

And now that this curious and disturbing episode is over, there are certain useful deductions to be made from it. It has, in fact, given a glimpse of the cracks that may in certain circumstances develop in the structure of the Commonwealth, and of the difficulties inherent in reconciling diplomatic independence with effective unity of action. The best contribution the Commonwealth can make to world progress lies not merely in casting a solid block of votes for peace at Geneva, but in presenting to the world a working model of co-operation without compulsion. As things stand to-day, the foreign policy of the Dominions tends to hinge upon that of Great Britain, though each Dominion has the right to shape its own. In matters of major importance it is usually Great Britain that takes the initiative, whilst the policy of the Dominions has hitherto generally expressed itself rather as a series of reactions to the British initiative than as a positive and independent course of action. The future cohesion of Commonwealth foreign policy must depend upon the extent to which British foreign policy can command the confidence and sympathy of the Dominions. If the foreign policy of the Commonwealth is to present itself merely as the aggregate of some five or more policies which happen for the moment to coincide, then it is to be

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feared that the chances of disruption are at least as great as those of the continuance of a fortuitous cohesion. Unity of action can be maintained only if the policy followed by the strongest partner and the one situated closest to the heart of affairs is based on certain definite principles clearly understood and freely accepted by the remainder.

In the first place, there must be consistency: it was the sudden somersault performed by Sir Samuel Hoare in Paris no less than the proposals themselves that aroused bewildered apprehension in the Union. The delicate mechanism of Commonwealth co-operation could not easily survive many more jolts of this kind. The Dominions must be able to feel assured that a policy to which they have pledged themselves, and whose success depends largely upon the power of British co-operation, is not going to be endangered by unpredictable eccentricities on the part of the British Foreign Secretary. Indeed, as has been said above, it is fortunate that on the present occasion the British Government was able to dissociate itself from the action of an individual Minister quickly enough and convincingly enough to avoid complications with the Dominions.

Secondly, there must be continuous rather than spasmodic consultation between the Dominion Governments and the British Government. This need for consultation was strongly emphasised at the Toronto Commonwealth Relations Conference of 1933, and is a vital one. Exchange of information and views after the event may allay apprehensions and restore some degree of confidence; but if real cohesion is to be maintained the Dominions must feel confident that in the future this exchange shall, as a matter of course, precede any serious change in the direction of foreign policy, rather than follow it in a desperate attempt to cover up a blunder.

Thirdly, British foreign policy must be a world policy, not a purely European policy. Past examples, for instance Lausanne and Locarno, have shown that where the British

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Government enters into agreements based on purely European considerations the Dominions stand aloof in a quite natural unwillingness to lend their weight merely to shift or anchor the pieces on the European chessboard. As long as Great Britain can convince the Dominions that her policy in Europe is designed, not merely to effect the security of Great Britain and western Europe, but also to protect the integrity of the whole Commonwealth, so long will her policy command their confidence. Indeed, the reliance that the Dominions place upon Great Britain's influence as a world Power was lately illustrated by the complacent observation of Mr. F. C. Erasmus, one of the staunchest Republican secessionists, that the Union was in little danger from Japan, in view of the fact that a great British naval base (Singapore) lay between the Union and a possible invader from the East. If, however, for example, in order to make Germany a less dangerous neighbour in Europe, Great Britain were to barter with her at the expense of the Empire or to the detriment of the Commonwealth, or if in order to placate Japan she were to propose to dismantle Singapore, co-operation in the Commonwealth would collapse and the Dominions would be forced to seek security on other lines.

Finally, Great Britain's world policy must remain based on League principles. The British Commonwealth is in itself a miniature League based on the idea of collective action, and enough has been said in this and in the last ROUND TABLE article from South Africa to show how increasingly strong is the feeling of the Dominions that the realisation of this idea in world affairs is one of the best guarantees of their own peace and security. At the time of the recent crisis, the *London Times* very wisely observed that :

Even more significant [than the reaction of the British provincial press to the Paris proposals] is the reaction which comes from end to end of the British Empire, for it must never be forgotten that the League of Nations and the principles for which it stands

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are an additional and an essential bond of union between members of our Commonwealth.

We would go even further, and say that in the future, as the independent nationhood of the Dominions grows more mature and exhibits a slow but steady differentiation of national character and internal policy, it is the ideal of collective action for peace which, next to the Crown, will be not merely an essential but *the* essential bond. It may be that the League of Nations as at present constituted represents a premature and over-ambitious attempt at universality, and that under the stress of present difficulties this attempt may break down. But the principles on which it is based are deep-rooted and will remain. And it may well prove that the future of the British Commonwealth lies in providing the world with a nucleus of peace-loving nations which will gather round it, by the attraction of common interest, other like-minded peoples such as those of Scandinavia, not necessarily in a political union, but in a close association in the cause of peace. But whether the League of to-day survives its present trials and emerges stronger thereby, or whether the hope of the future lies in a new League based on the British Commonwealth and spreading out more slowly, but more firmly from more modest beginnings, the present crisis will have served some purpose if it convinces Downing Street that the ideals of the League, if not its present form, will prove in the future the strongest practical sentiment linking together the members of the British Commonwealth.

II. THE NATIVE BILLS AND NATIVE OPINION

IN the September number of *THE ROUND TABLE* * there appeared a full discussion of two Bills, the Representation of Natives Bill and the Native Land and Trust Bill, which had been drafted by a Joint Committee of the two Houses. This report, the outcome of several years' work, was

* See *THE ROUND TABLE*, No. 100, September 1935, pp. 722 *et seq.*

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published in May 1935. It was not put forward as the considered policy of the Government; indeed, it was plain that opinion on the Joint Committee, even Ministerial opinion, had been much divided, more especially on the score of the retention or the abolition of the Cape native franchise. The two Bills are to be introduced early in the parliamentary session that began on January 24, but the Ministry has wisely and justly decided to introduce them as non-party measures. Had they decided to push them as Government measures, there can be no doubt that both would have been carried more or less as they stand, including the proposal to abolish the Cape native franchise; for they would have been sure, as General Hertzog's Pact Ministry was never sure, of the requisite two-thirds majority of the two Houses sitting together. As it is, the fate of the Bills is in the lap of the gods.

It is not the purpose of this article to discuss the virtues and defects of these measures, or their probable fate. All that will be attempted here is to note the attitude that the South African natives, the Bantu, have taken up towards them. Both Bills have long histories. The very few leading South Africans, and notably the late Mr. W. P. Schreiner, who advocated a loose federation rather than a legislative union in 1908-9, did so mainly because they believed that under Union the other three provinces would seek to destroy the non-racial franchise of the Cape. They scouted the idea, genuinely held but in their opinion erroneous ("the imperial illusion", Mr. Schreiner called it), that the Cape liberal policy, being well tried and just, would leaven the lump. They feared the lump would dissipate the leaven, and events would seem to be proving them correct. The right of the Cape Bantu to acquire the vote on the same terms as Europeans and coloured men has been in jeopardy ever since General Hertzog introduced his comprehensive segregation scheme in 1926. Its value was immensely reduced in 1930 when his Pact Ministry gave European women the vote throughout the Union, and

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almost cancelled in 1931 when the same Ministry relieved European men in the Cape and Natal of the property and educational qualifications that had hitherto been demanded there of men of all colours, and gave them the vote on the purely racial basis that had always been the rule in the two ex-republics.

The projected Native Representation Bill brings the franchise issue to a head. Coloured men (mixed breeds) are not affected thereby, for their affairs are in the hands of a commission which has not yet reported. Again, Bantu who are already on the Cape voters' roll, some 10,000 in all, are to remain there. But the rest of them, and all the Bantu in the other three provinces, are to be represented by four European senators and, if the experiment is working well seven years hence, by six, in addition to the four senators who have always been appointed by the Governor-General since Union to speak for native interests. Cape natives are also to elect two members, who may be non-Europeans, to the Cape Provincial Council so long as that body continues to deal with certain specified native concerns. There is also to be a purely advisory Native Council, under strict official control, consisting of chiefs or representatives elected by various native boards and councils for four large constituencies: the Cape Province proper, the Cape native territories beyond the Kei river, the Transvaal and Orange Free State, and Natal and Zululand.

The roots of the Native Land and Trust Bill run back as far as 1913. Under the Native Lands Act of that year, the Bantu were deprived of the right to acquire land outside their existing reserves and such other areas as might be allotted to them. The prospect of additional land was thus the *quid pro quo* for the loss of very real and valuable rights. This Act was not applied to the Cape Province because the Courts held that, so long as landholding was one means of acquiring the vote, the Bantu must be free to acquire it along that line. This decision, as opponents of the projected legislation have been quick to note, is the link

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between the Representation and Land Bills; for once the Cape Bantu lose their right to the franchise they will lose their right to acquire land in their own province outside limited areas.

Various commissions have suggested additional native areas, and Bantu outside the Cape Province have long been permitted by the Executive to acquire land here and there in the areas common to the commissions' reports. So far, however, there has been no finality in the matter. The projected Bill proposes to achieve that finality. The position is as follows. The total area of the Union is some 302,000,000 acres. Of these some 22,000,000 are reserved lands. It is now proposed to release an additional 15,500,000 acres or so adjoining the reserves. These may be acquired either by the Native Trust, which is to be financed by a parliamentary grant and by rents and other monies accruing to it, or by individual natives. Much will depend on the size of the parliamentary grant, for our Bantu are not wealthy; but if all goes well rather more than 12 per cent. of the total area of the Union will be set aside for the Bantu. This, as the Minister for Native Affairs justly observes, is not so one-sided as it appears at first sight, because much of the 88 per cent. allotted to Europeans is very poor and barren country, while some of the existing native reserves are in the best parts. That is true; on the other hand, it must be confessed that other native areas are also poor stuff and, in any event, are full, while, as far as can be judged, many of the proposed released areas are full also. Finally, though this did not arise from the Joint Committee's report, the Urban Areas Bill will limit still further the right of the Bantu to dwell in towns, and will thus tend to keep them either in their own rural areas or on European farms.

Native comment on these Bills has been abundant. An emergency meeting of the Cape Native Voters' Convention, held at East London in July, gave the lead. This meeting fastened, as was natural, on the Representation Bill, and condemned it on the grounds that the Cape native

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franchise had never been abused since it was granted eighty years back; that

the confiscation of citizenship without rebellion or treason is an irregular and unprecedented course on the part of any modern state;

and that the Cape franchise was to the Bantu

a dearly prized symbol of citizenship . . . held in trusteeship for the future of all other races in the Union who aspire thereto as the consummation of true citizenship.

Finally, it begged humbly that Government would allow "at least twelve months" during which the Bill might be considered and constructive criticism be offered.

The Government then very wisely decided to submit the Bills to five native conferences consisting of chiefs, prominent natives specially invited, and representatives of native councils and boards. These meetings were held during September. The first, at Pietermaritzburg, represented the Bantu of Natal-Zululand. Speaking through the mouth of the Zulu Regent, head of the most conservative tribe in South Africa, it declared that it did not want to be represented in Parliament by European senators, but much preferred to lay its views before Government "as on this occasion, without a European intermediary". This conference, and those held subsequently at Pretoria for the Transvaal and Free State Bantu, and at Mafeking for those of British Bechuanaland and Griqualand West, expressed satisfaction at the idea of a Native Representative Council; for that would simply carry a step further the system of native conferences instituted by the Smuts Act of 1920.

At this stage qualified approval ceased. The Pretoria and Mafeking conferences condemned the proposed abolition of the Cape native franchise as a backward step; while those held at Umtata for the Transkeian Bantu, and at Kingwilliamstown for those of the Cape Province proper, were even more outspoken. General Smuts had done his best to pour oil on troubled waters in advance. He, with his

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fellow Ministers, Mr. J. H. Hofmeyr (Interior) and Mr. R. Stuttaford (acting Minister for Native Affairs), had voted in the Joint Committee against the proposal to debar Bantu in future from enrolment in the Cape, and had since declared that, while he would not advocate the extension of that franchise beyond the Cape, he was opposed to taking away privileges that had been enjoyed for so many years. At Umtata he reiterated his views, but begged the assembled chiefs and native leaders to face the fact that the franchise might have to go and, in view of that possibility, to seek means of making the alternative Native Council a success. It was in vain. The Umtata conference declared that abolition would be "a surrender to the dictates of race prejudice"; while the Kingwilliamstown assembly resolved that it would breed "a disgruntled ex-voter population, . . . a semi-slave or helot group" (shades of Lord Milner!), and gave fair warning that it would drive the Bantu to identify themselves with "anti-white propaganda, especially that generated in all Africa by the Italo-Abyssinian conflict".

Such was the opinion of these officially summoned conferences on the franchise issue. Any small satisfaction that the authorities may have gained from the Pietermaritzburg meeting with its strong Zulu element was, in large measure, cancelled by the resolutions of a subsequent conference of Natal chiefs and headmen held at Ladysmith in October. This meeting resolved that the Cape franchise ought to be extended to the other provinces; that native representation through European senators was useless; but that, meanwhile, the projected Native Council was welcome as a stop-gap until such time as the Bantu outside the Cape had acquired the vote. And they appointed a committee to consider these and cognate matters more fully.

Touching the Land and Trust Bill there is little to record. The Pretoria conference really spoke for the rest on this head. It was in a good position to do so because it was

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attended by the acting Minister and the Secretary of Native Affairs and the chairman of the standing Native Affairs Commission. Where precisely, asked the Bantu, were the proposed new areas? What was the quality of the land? What was the density of the population thereon? Could not a mixed commission be appointed to go into all these points? Further, they asked, how could they be expected to give a considered opinion on the two Bills when they had only had a fortnight's notice of the conference, no advance copies of the Bills and, even when copies were forthcoming, none in their own vernaculars? "It is the intention of the Government", they noted, "to take a native census in 1936" (the first for fifteen years). Could not the Bills be held over till that was completed? "Let us not", said one chief, "rush this thing or we will make serious mistakes".

The criticisms of these conferences, and especially their demand for more time, have been endorsed by the conferences of the Presbyterian and Congregational Churches of South Africa, and by the Cape district synod of the Wesleyan Church. But from the non-European point of view the whole issue was summed up by an unofficial convention of native leaders from all parts of the Union, reinforced by a few from imperial Basutoland and by delegates from the African Peoples' Organisation, which speaks primarily for the coloured men of the Cape. Nearly 400 delegates met at Bloemfontein on Dingaan's Day (December 16) and the two days following. Many of them, certainly most of the speakers, were educated and urbanised Bantu for whom very little provision is made either politically or economically in the projected legislation. By a great majority they resolved that there could be no substitute for the right of citizenship; that political segregation would breed two nations which must inevitably clash; and that the right policy was one of political identity, as the history of the Cape Province for a century past had proved, a policy that would in time lead to the

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creation of a South African nation in which, while the various racial groups may develop on their own lines socially and culturally, they will be bound together by the pursuit of common political objectives.

At the same time they were prepared to face a demand for qualifications.

We recognise (they said) that the exercise of political rights in a democratic state demands the possession . . . of a reasonable measure of education and material contribution to the economic welfare of the country. The Convention is therefore not opposed to the imposition of an educational, property or wage qualification . . . , and believes that such measures would adequately protect the interests of the white population in whose favour the dice is already heavily loaded in view of the extension of adult suffrage to white men and women.

A minority, apparently from Natal and Bechuanaland, desired to make the best of the proposed Native Council; but the majority would have none of it, since in their view the functions of such a body were already provided for satisfactorily under the Smuts Act of 1920. For the rest, they resolved to petition the Governor-General to withhold his assent to the abolition of the Cape native franchise, to appeal to the King and the British Parliament "for an expression of their opinion" thereon, and to commend the study of the proposed legislation to the native inhabitants of the imperial protectorates.

On the score of the land, the convention welcomed the creation of a Trust provided it were adequately financed, but held that the additional areas were too small to be of real service, and repeated the request of the earlier conferences for fuller information and more time for consideration. "The meeting broke up with cheers and the singing of a Psalm".

From it all emerge three conclusions. First, many of the Bantu are prepared to consider the Government's land proposals on their merits. Secondly, some of them are ready to accept the projected Native Council, if only as a stepping-stone to higher things. Thirdly, practically all

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are unalterably opposed to the abolition of the Cape native franchise. May not the way out, at all events for the present, be to retain the Cape native franchise, and to set up the Council for the Bantu in the other three Provinces? That at all events is a solution that has been talked of hopefully by more than a few Bantu and Europeans.

Tengo Jabavu, the noted Cape Bantu politician and journalist thirty years ago, whose son, a professor at the Fort Hare Native College, presided over the Bloemfontein Convention, always used to say that the Afrikaners and Bantu were the only peoples in South Africa who understood politics. No one who recalls the record of the Afrikaner Bond would deny that tribute to the Afrikaners. The performances of these Bantu conferences would suggest that Jabavu was right also as touching his kinsmen. It would seem to be a strong argument against depriving any of them of political privileges. Or is it an argument that tells the other way?

III. THE POLITICAL SITUATION

IT cannot be said that any marked development has taken place since the situation was last described in these pages.* By-elections for the House of Assembly and the Provincial Councils, in so far as definite conclusions can be drawn from them, point to the Orange Free State and the country districts of the Cape Province as the main strongholds of the Opposition party led by Dr. Malan. His followers' main lines of attack on the Government in the campaigns of the parliamentary recess were on familiar ground. Through its inadequate taxation of the gold-mining companies and its compromising relations with the British Commonwealth the Government had sacrificed the national interests to the twin enemies of capitalism and imperialism. Along both these lines the followers of Dr. Malan are moving more and more definitely towards

* See THE ROUND TABLE, No. 100, September 1935, p. 840.

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the republican ideal. The acceptance by the Government of the resolutions of the League of Nations and the imposition of sanctions against Italy are used as a new illustration of the danger to which South Africa is exposed of being dragged into European wars in the wake of British imperial policies. It would be idle to deny that this propaganda, placing in high relief the risks of war, the distresses of the farmers, and the swollen profits of the gold mines, has, at any rate in certain parts of the country, had its effect in undermining the feeling of confidence in the Government that marked its accession to office.

The economic troubles of the farming community provide a natural source of discontents to town and country alike. The policy so far pursued by the Government of maintaining an internal price for such products as maize, wheat and dairy produce, much higher than the world market price, through the subsidised export of the surplus, has led to its inevitable result. Production, so far from being discouraged, has increased. The surplus to be thrown on the world market steadily grows unless restricted by climatic conditions. The consumer revolts against being compelled to pay high prices for the necessities of life while being taxed to enable the producers of these articles to sell them at a far lower figure to the peoples overseas. The urban population threatens withdrawal of its support if this policy is continued. The farmers are equally insistent that it shall not be abandoned unless an equivalent protection is provided for them in some other way. Members of the Government in their public speeches have foreshadowed measures to be taken for increasing the internal demand for these products, but, short of a considerable reduction in price—which would obviously not be acceptable to the producers—it is not clear how that end is to be attained. Free milk is being supplied to school children, and butter and other dairy produce to various charitable institutions, and we shall no doubt

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hear when Parliament meets what, if any, other plans have been devised for utilising agricultural produce to a greater extent inside the country. But it seems improbable that any scheme can be devised that will provide an immediate solution of the difficulties. We are held in the old dilemma of surplus production on the one side and artificially maintained internal prices on the other.

Another question that will come up during the coming session is the promised adjustment of the taxation on the gold mines. The various formulæ that have been in force since 1933, when the so-called excess profits tax was first introduced, have given rise to much difficulty and dissatisfaction. Apart from complaints against the amount taken by the Treasury, the unequal incidence of the tax as between one mine and another has been a very fruitful source of trouble and irritation. A departmental committee was appointed last year to take evidence and consider alternative proposals. It is understood that the Minister of Finance has received their report, but it is unlikely that he will make any announcement until he lays his budget before Parliament. Whatever his decision may be, there is certain to be an attack on the Government from two opposite points of view—one that the burden laid on the mines is too heavy, the other that the “mine magnates” (in which term apparently are included all share-holders in mining companies) are being allowed to appropriate excessive profits at the expense of the people.

The Bills dealing with native representation and native lands, which have been discussed in the previous section, are not party measures in the ordinary sense, and it is certain that some, at any rate, of the provisions of the former Bill will not receive the support of all the members of the Government party, or even of the Ministry itself. What the attitude of the main Opposition party will be is not yet clear, but the discussion of these measures will occupy a considerable part of the session.

THE POLITICAL SITUATION

The death of King George called forth a widespread spontaneous expression of grief throughout the Union. In his long reign, with its many times of trial and its far-reaching constitutional changes, His late Majesty had won for himself the trust and affection of the people, untrammelled by their political divisions. We unite in mourning his loss.

South Africa,
January 1936.

NEW ZEALAND

I. THE GENERAL ELECTION : LABOUR'S VICTORY

NEVER in New Zealand's history has there been a turn-over in politics comparable to that produced by the tidal wave at the elections held on November 26 and 27, which drowned the Democrats, swept away the National Government, and landed the Labour party on a veritable Mount Ararat of domination to form for the first time in New Zealand a Labour Government.

The following comparison of the state of parties before and after the elections tells the tale of the overwhelming Labour victory.

	<i>At dissolution.</i>	<i>New Parliament.</i>
Nationalist	46	19
Labour	24	53 †
Independents and others * .	10	6
	<hr/> 80	<hr/> 80

* Including, at the dissolution, two Independents turned Democrat. No Democrats were returned.

† Including two Maori members.

Although Labour secured such a triumph, it was returned by a minority vote, the votes polled (90 per cent. of the electorate) being as follows :

Labour	(53 seats)	389,912
Nationalist	(19 seats)	280,267
Democrats	(no seats)	64,518
Communists	(no seats)	620
Others *	(8 seats)	116,406
Total		<hr/> 851,723

* Including two Maori members who will support Labour.

THE GENERAL ELECTION

Three Cabinet Ministers were defeated—Sir Alexander Young (Health), Mr. J. Bitchener (Public Works) and Mr. C. E. Macmillan (Agriculture). The Democrats, submitting 51 candidates, did not win a single seat, and lost two sitting members of Parliament who had been Independents. The Prime Minister, Mr. G. W. Forbes, was elected on a minority vote, his opponents being an Independent and a prominent official of the Douglas Social Credit organisation, standing for Labour; while Mr. J. G. Coates was hard pressed by Mr. W. Grounds (Country party), and retained his seat by a narrow majority. Among the defeated candidates was Sir Alexander Herdman, a former Attorney-General of the Reform party and Judge of the Supreme Court, who the day after his retirement from the Bench announced his candidature with a violent partisan attack upon the Government. The country's heaviest loss was the defeat of Mr. W. Downie Stewart, former Minister of Finance. With his financial and economic knowledge and experience, his lucid and temperate criticism, and the esteem in which he is held by the Labour leaders, he would have been invaluable in the ranks of the Opposition in pointing out any unsoundness in Labour's financial proposals. No woman was elected.

Labour itself, although confident of success, never anticipated much more than a bare majority. Several factors contributed to the surprising result. There was widespread dissatisfaction with the National Government, its opponents complaining that it protected the farmers and neglected the commercial and manufacturing interests, that it had violated the sanctity of contract and developed what has been called the "debtor mentality," that it was steadily drifting towards socialism and suppression of private enterprise. The inevitable cuts and economies of a depression period combined with a strong public hostility towards Mr. Coates, the veritable, although not the nominal, leader of the party, to make a large body of voters determined to turn the Government out of office at any cost.

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Another factor was the Government's failure to introduce a system of preferential voting. Every seat was contested and in several there were five or six candidates representing different interests. The Democrats proved a good ally to Labour, both by their vigorous attacks upon the National Government and by the votes that they secured. While each of ten Labour candidates gained a majority of 4,000 at least, 19 seats were won by Labour on a minority vote. It can by no means be assumed that in a straight contest every Democrat vote would have been cast for the Nationalists and not for Labour, but the party undoubtedly counted upon securing and must have secured a substantial number of votes from people who wanted to put the Government out but not to put Labour in. Even neglecting the Democrat vote altogether, the indications are that on a preferential system Labour would have lost at least twelve of the seats it secured.

A third factor was the adherence of the Douglas Social Credit supporters to Labour. The Douglas Credit organisation in New Zealand is vigorous and has many members, and, untaught by Major Douglas's sorry exhibition before the Monetary Commission here, it has been active in propaganda work throughout the country. The banks and other institutions likely to be affected by its plausible proposals have until the eleventh hour treated it with silent contempt instead of instituting a counter-attack by means of attractive pamphlets and able speakers. Labour's "intelligent credit" policy was so enunciated as to appear to banking interests the Big Bad Wolf dressed up in a green Douglas Credit suit.

At least as important as these factors were the strength and driving power of the Labour organisation, its determination to take full advantage of the swing of the pendulum, and its will to win.

The election campaign, speaking generally, was contested in a spirit of sportsmanship and good temper. An Australian, whose first experience it was of a New Zealand

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election, was struck by the absence of rancour and the freedom from personalities, vituperation and violent language. There was little that was novel in the way of "putting it across." A suggestion was made that the party leaders should broadcast from the government stations, but there were difficulties and it fizzled out.

Sanctions having been provided for to the satisfaction of everybody, and defence gaining scarcely a reference, the election was fought on purely domestic questions. The main planks in the programmes of the three parties were set out in the December number of *THE ROUND TABLE*.^{*} The chief objectives of the three main parties were identical. All aimed at budgetary stability, the restoration of the civil service cuts, the establishment of schemes for compulsory national superannuation and national health insurance—free medical attention from the cradle to the grave, as one Labour candidate put it—the solution of the unemployment problem by the development of schemes of national, local and private enterprise, and by co-ordination between public works and unemployment policies, and the revision and improvement of our educational system. All three stood, too, for support of the Covenant of the League of Nations and the solidarity of the British Empire.

II. THE FINANCIAL PROBLEM

BUT it was on the question of ways and means that the three parties joined issue. The Nationalist Government weathered the storm and realised its responsibilities. It knew the country's financial limitations and made the establishment and extent of its schemes dependent upon the permission of financial conditions. If taxation was to be reduced rather than increased, it was aware of the difficulty of raising money to finance expensive schemes of social services. It had made definite provision in advance for

^{*} See *THE ROUND TABLE*, No. 101, December 1935, pp. 202 *et seq.*

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superannuation, for the extension of public works, for housing, on which last scheme Mr. Coates brought out the last of his now familiar blue booklets. This might mean only a modest advance towards the millenium, but one that the National Government claimed that the country could afford and that could be realised.

For the high exchange premium on London, Labour proposes to substitute gradually a scheme of guaranteed prices to farmers; butter-fat prices will be based on the average of receipts for the last 8 or 10 years, and mortgages will be adjusted on the same basis. The Democrats offered in place of the exchange premium an export subsidy to farmers.

The Labour party is going not only to guarantee prices to farmers by a scheme vaguely conceived and differently interpreted by Labour candidates, not to say riddled by practical criticism, but also to fix by legislation a statutory minimum wage and salary for every person in the Dominion. According to Mr. Nash, the new Minister of Finance, "within a month of the Labour party coming into power no child and no mother will be without the necessities of ordinary decent living." Labour proposes to carry out its programme of guaranteed prices and wages and increased social services, involving an additional expenditure estimated by opponents at from thirty to forty millions a year, without borrowing—subsequently limited by Mr. Savage, the new Prime Minister, to overseas borrowing—and without increased taxation.

The Labour party is now in power pledged to expensive and undigested schemes, with a majority enabling it—if so inclined—to try experiments however rash and at a cost however great. It is pledged to give effect to its programme by "assuming control of the central credit system of the Dominion to ensure the maximum utilisation and distribution of the resources of the Dominion"; in other words, as the present Prime Minister explained, it is the intention of the Labour Party to control currency

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and to make an intelligent use of the public credit of the country, apparently without cost to its people.

The speeches and actions of some of the present Cabinet Ministers indicate how this may be done. In one speech Mr. Savage said, in reply to a question in the *Gisborne Times*, "Where was the money to come from?", that the Labour party would take control of the two banks that belong to the nation, that is to say, the Reserve Bank and the Bank of New Zealand. In another, when asked how he would complete the Napier-Gisborne railway line—a promise he has definitely given—he said that when Parliament had determined to complete the line the cost would be assessed at, say, two millions, and

credit would then be issued for that amount, using the same instruments of exchange as now. There would be no tax on the public credit. I would sooner owe £5 to myself than to the Editor of the *Gisborne Times*. There you are then. I don't think I have left out any detail except the colour of the notes.

The *Evening Post*, Wellington, pointing out that this meant inflation of the currency, added, "Mr. Savage has shown that the currency will have a pronounced water-mark, so much so that the electors will never see the colour of their money." Mr. Nash has stated that the Labour party would purchase private shares in the Reserve Bank, making it a government credit authority, which would stand the deficit between world prices and guaranteed prices. The excess in boom years would create a reserve fund. Mr. Mason, the present Attorney-General, not long ago introduced into the House of Representatives the National Credits and Currency Bill, which was described by Professor Murphy as based on the fundamental Douglas fallacy that there is a permanent shortage of money in the economic system, and which openly set out to fill this gap by advocating state creation of currency and its free distribution.

The criticism of Labour's monetary policy was thus voiced by the *Evening Post* :

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If the Reserve Bank is to be the national credit authority to provide a money service sufficient to give effect to the will of Parliament, and that will be the will of Labour politicians who have lavishly promised their way into office, it will inevitably lead to inflation, to the depreciation of currency, the impoverishment of people dependent on savings and fixed incomes, to a desperate race between wages and prices as the latter rise and the purchasing power of the former falls, and then to further inflation,

with the disastrous consequences that have resulted in every country that has tried it.

The vital question for the country is whether, when the Labour Cabinet seek to implement their promises, they will realize that they are impossible of performance and that inflation only spells disaster; whether, following Mr. Aberhart in declaring that their pre-election promises were only figures of speech, they will content themselves with extending as far as funds permit the programme common to the three parties, thereby ensuring the support of the business and commercial community but disappointing the extremists; or whether they will disregard the lessons of history and the sound principles of economic control, and inflate the currency in order to experiment with a Utopian programme.

III. THE NEW GOVERNMENT

THE calibre of the members of the Labour party has made a favourable impression, and the general opinion is that the present House of Representatives will be superior in education, intelligence and experience to that just deceased. We may look forward to more vitality, enthusiasm and careful study of the questions with which Parliament has to deal. While the occupations of the new members vary considerably, the majority have not only held office in Labour organisations, but have also a fine record of service on local bodies, such as municipal, educational, hospital and harbour boards. Several of them served with distinction in the war. There are

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six university graduates in the party. The team includes several men of substance, and natives of England, Scotland and Australia as well as New Zealanders. Each of the two Church of England secondary schools, Christ's College and Wanganui College, which pride themselves on "turning out gentlemen," has contributed from its Old Boys a Labour member. Youth will be served, too, for there are three members under 30, and the average age of the members is considerably lower than that of their predecessors.

Soon after the announcement of the Labour victory the new Prime Minister summoned a meeting of all the Labour members at Wellington. This caucus entrusted the selection of the Cabinet to Mr. Savage and later unanimously approved his choice. He and his colleagues were sworn in on December 6. The members of the Ministry are as follows.

Mr. M. J. Savage : Prime Minister, Minister of External Affairs, Native Minister.

Mr. P. Fraser : Minister of Education and Health.

Mr. W. Nash : Minister of Finance and Customs.

Mr. D. G. Sullivan : Minister of Industries and Commerce and of Railways.

Mr. H. G. R. Mason : Attorney-General and Minister of Justice.

Mr. H. T. Armstrong : Minister of Labour, Immigration, and Employment.

Mr. R. Semple : Minister of Public Works and Minister of Transport.

Mr. W. E. Parry : Minister of Internal Affairs.

Mr. P. C. Webb : Minister of Mines.

Mr. F. Jones : Postmaster-General and Minister of Defence.

Mr. W. L. Martin : Minister of Agriculture.

Mr. F. Langstone : Minister of Lands and Commissioner of State Forests.

The Hon. M. Fagan, M.L.C. : Leader of the Legislative Council and Minister without Portfolio.

(Most of the Ministers hold also subordinate portfolios).

Of the twelve members of the Cabinet in the House of Representatives eight are from the North and four from the South Island, while nine represent urban constituencies,

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the cities having been the party's stronghold from which the Old Guard of the Cabinet are drawn. A welcome feature is the number of Ministers who have had practical experience from the bottom upwards of the affairs that they will have to administer. Of Mr. Savage one hears little except eulogy of his straightness, his modesty, tact and courtesy. The press and the people recognise that the key position will be held by, and the heaviest responsibility devolve on, Mr. Walter Nash, and his appointment to the position inspires confidence in the country, as he is "a level and keen thinker with unlimited reserves of energy and persuasiveness," knowing the difficulties and expected to approach them with a sane mixture of courage, enterprise and caution. He is a successful business man who for some eight years held the position of Secretary of the Labour party and who has made a special study of financial and economic questions. A vigorous speaker, combining lofty humanitarian ideals with a hard-headed and common-sense outlook on life, he is a thoughtful and thorough student of modern problems and a tireless worker. He was a representative at the International Socialist Conference at Geneva in 1920, the conference of the Institute of Pacific Relations at Banff and the British Commonwealth Relations Conference at Toronto in 1933, where his ability made a strong impression upon his colleagues from other parts of the Empire. If he has a bee in his bonnet, it is that of "the orderly marketing of primary products on a quota basis with reciprocal agreements for the expenditure of the credit derived from the sale of the products in the importing countries"—a theme that he propounded at the Banff Conference.

The new Minister of Mines, Mr. P. C. Webb, has been engaged in coal mining for many years and was President of the State Miners Union. He knows the mining business inside out. Public Works is a suitable portfolio for Mr. R. Semple, a practical miner who has been engaged in co-operative tunnelling at Otira, a miners' agent and

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inspector. He has had considerable experience of local affairs on the Wellington City Council and Harbour Board, and possesses plenty of experience and driving power to see that our public works are rapidly and economically done; but he has the defect of his quality in rashness and irresponsibility of speech, which may cause his colleagues some anxiety. Mr. D. G. Sullivan, who is Mayor of Christchurch, has shown himself particularly interested in the development of secondary industries. He was originally a french polisher, and visited Australia and the United Kingdom, working his way from place to place and gaining a wide experience of industrial life in those countries. Mr. H. T. Armstrong has run the gamut of many jobs—flax-milling, bushman, gold and coal miner, railway construction worker, water-sider and brick-yard employee—has held high offices in the Federation of Labour and the Workers Union, has been Secretary of the Christchurch Tramway Employees Union, was for several years a member of the Christchurch City Council, and has taken a great part in the championship of the cause of the unemployed and the alleviation of their sufferings.

As Attorney-General the country has a lawyer again instead of a layman. Mr. H. G. R. Mason has been in practice as a barrister and solicitor. He has, while in opposition, initiated and piloted through Parliament private Bills on two or three occasions, a rare achievement, and he can be relied upon for active and sympathetic modernisation of the existing law. Agriculture is in the hands of Mr. W. L. Martin, an experienced farmer, who was appointed President of the Waikato Farmers Union and the Executive of the Auckland Farmers Union. Mr. Peter Fraser, the New Minister for Education and Health, is, like Messrs. Semple and Webb, one of the Old Guard of Labour, and has from early manhood been associated with the Labour movement, first in Scotland and then in New Zealand. He is a member of the Wellington City Council and Harbour Board. He has always taken a keen

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interest in educational matters and will infuse fresh vitality into our educational system and the reforms for which it has been ripe for some time past. He has been closely associated with the W.E.A. since its inception.

It will be interesting to see what provision the new Cabinet will make for the equipment and training of our navy and volunteer land forces. The portfolio of Defence, together with that of Postmaster-General, has been allotted to Mr. F. Jones, but it is prophesied that he will hold it temporarily and be relieved of it later by Mr. J. A. Lee, who has been appointed a parliamentary under-secretary. The latter has worked on farms and later been employed in the Public Works Department. He was awarded the D.C.M. for conspicuous gallantry at the Battle of Messines and had his left fore-arm shot off at Mailly Maillet in 1918.

The new Ministers have taken over the secretaries of their predecessors and have also appointed a Parliamentary Under-Secretary to the Prime Minister, a post for which there is no legislative sanction or financial provision. We have been told that the proposed system of pooling Ministerial salaries is to be extended in such a way that all the Labour members in the Lower House will participate in it, each of them according to his special experience being attached to one of the Ministers and taking some share in the government of the country.

Since he became the head of the Government Mr. Savage has given some indications of his immediate policy, but already the Government is finding that promise is easier than performance. One of his early assurances was that the five-year-old children would be admitted to the state schools when they re-opened after the Christmas holidays. A direction to the educational authorities to carry out this policy, however, elicited the fact that there are not enough teachers available, unless raw recruits of one year's experience at a training college are called up at once for active service in the schools.

Mr. Savage calmed some fears by declaring that he saw

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no immediate necessity for any banking legislation in Labour's first session, and that if the Reserve Bank is to be taken over by the Government and made entirely a state institution the 500,000 shares at present held by private shareholders will be acquired at current market rates.

Parliamentary business is to be accelerated, and three-year parliaments restored. Various changes of policy are to be gradual. Statutory boards will gradually disappear, and the functions of government be restored to the people's representatives. The exchange premium will be reduced by instalments of $2\frac{1}{2}$ per cent. or less from time to time, and guaranteed prices to farmers will be correspondingly introduced as an alternative. The sales tax, too, will be only gradually reduced until it is finally abolished.

One cannot look forward with equanimity to the prospect of a restoration of political influence through the Government's attitude towards the Mortgage Corporation. The Corporation is not to be abolished, but the control and direction will be on similar lines to the policy followed in the State Advances scheme—a policy that has caused the country the loss of millions of pounds, though the amount has never been disclosed. The National Government's policy with regard to broadcasting is to be radically revised. Parliament is to be "put on the air" and all important questions debated will be broadcast. One promise that the Government is fulfilling is the gift to the unemployed of a state Christmas box of approximately a quarter of a million, including the Labour Government's special bonus of £100,000 to be distributed among 41,000 men.

Despite the party's official programme and the pronouncements of its leaders, the business community has outwardly shown no apprehension at Labour's advent to power, being convinced that Labour, the administrator, with the responsibility of office and the knowledge of the difficulties of performance, is a very different figure from Labour, the irresponsible demagogue on the platform promising a rainbow in the skies. The merchant, the

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banker, and the share broker may be understood to reason something on these lines. "The Labour Ministers are a level-headed lot of men with plenty of common sense, whose statements since they came into office have been reasonable and conciliatory. The party as a whole consists of substantial citizens with a stake in the country and experience of local affairs, who are unlikely to consent to any wild-cat financial schemes. New Zealand's destiny and financial interests are probably as safe in their hands as they were in those of Mr. Coates; and with their energy and enthusiasm, and the co-operation of the people of New Zealand, their leader is right in saying that the Dominion has a great opportunity of doing wonderful things, if we realize we are living in an age of change in a fertile country with a population one-fourth or one-fifth of what it could carry, and if we are determined to co-operate."

Making all allowance for the tendency to worship the rising sun, the reception of the new Cabinet has been cordial, and the co-operation sought by Mr. Savage has been promised by Chambers of Commerce and similar bodies. But in his excellent address to the departmental heads of the civil service Mr. Savage reiterated that there would be money changes and economic changes generally; he added, however, that they would be made with the least possible disturbance, the problem being to conserve and not to break the interests of the people. So that the vital question for the New Year is: is it to be sound finance, and freedom for the banks from political interference, or government control of currency and inevitable inflation?

IV. SANCTIONS AND THE PEACE PLAN

THE League of Nations Sanctions (Enforcement in New Zealand) Act, 1935, passed rapidly and without opposition through both Houses of Parliament at the end of the session, the Prime Minister having previously invited and received the collaboration and assistance of the

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leader of the Opposition. The Act recites Article 16 of the Covenant of the League, and in section 3 empowers the Governor-General by Order in Council to make regulations enabling the Dominion "to fulfil its obligations under Article 16." This section is of general application to future disputes as well as the present one. A later section requires all such regulations to be laid before Parliament within 28 days after the making thereof if Parliament is then in session, and, if not, then within 28 days after the commencement of the next ensuing session. The regulations are to lapse on the expiration of two months after they have been so laid before Parliament except so far as they are expressly validated or confirmed by an Act of Parliament.

It being made clear that the Act authorised economic sanctions only, and that naval or military sanctions would require special authorisation by Parliament, such discussion as took place was directed mainly to the following proviso to section 3, which was possibly the result of the consultation between the Prime Minister and the Leader of the Opposition:

Provided that nothing in this section shall be construed to authorise the making of regulations :—

- (a) Requiring any person to undergo compulsory training for service in any military, naval, or air force; or
- (b) Requiring any person to serve in New Zealand or overseas as a member of any military, naval, or air force; or
- (c) Prohibiting the publication in a fair and reasonable manner of any expression of opinion as to the expediency of any regulation made under the authority of this Act or the expediency of anything authorised or directed or prohibited thereby, or the expediency of any of the provisions contained in any of the Articles of the Covenant of the League of Nations.

The Leader of the Opposition and another Labour member pressed the Prime Minister to preserve the right of trial by jury for breach of the regulations. In the Legislative Council Mr. Bloodworth pointed out that New Zealand's

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total exports to Italy last year were valued at £206,000, of which £178,000 was the value of greasy wool and £27,000 the value of hides and skins, while total imports from Italy amounted to £151,000, composed mostly of silk and artificial silk, though there was one item of £31,000 for sulphur, also some items of very important chemicals. Other members advocated empowering the Government to conscript not only manhood but also wealth, and called attention to the defencelessness of New Zealand against air attack and our inability to send our quota of men and munitions for the purpose of enforcing naval and military sanctions, if that became necessary, owing to the abolition of compulsory training and the unsatisfactory position of the present volunteer force.

The Act was brought into force on October 26, on which date came into force also the financial regulations prohibiting loans, credits and remittances to Italy, and regulations prohibiting the exportation of arms, munitions and implements of war. A supplement to the Gazette of November 14 dealt with the prohibition of import of goods of Italian origin, prohibited the export of horses, timber and certain minerals, save with the consent of the Minister of Customs, to countries other than Abyssinia or any part of the British Dominions, these regulations to come into force on November 18. The regulations were also extended to Samoa and the Cook Islands.

After these measures, the Hoare-Laval proposals came as a shock to the people of New Zealand. With our belief in the determination of the British Government to draw the stranglehold of sanctions tighter if the other members of the League would co-operate, we felt that those proposals indicated that Great Britain must be playing a lone hand, that sanctions had failed and the League was dead. Almost as soon as we heard of the proposals we learned that they were stillborn. Hence all that we, 12,000 miles away, could do was to continue our faith in the British Government and people and wait and see. Cabinet Ministers are too fully

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occupied with their particular immediate jobs to make any declaration of policy in anticipation of the next move, and although they are in close touch with the British Government they naturally cannot reveal diplomatic confidences.

How a group of seven of our young men felt is shown by an extract from their letter dated December 16 to the *Evening Post* (Wellington).

Nothing can justify conduct which amounts to a repudiation of an election mandate, places a premium upon ruthless invasion, and virtually destroys all hopes of establishing an effective system of collective security. We would like to take this opportunity to invite your readers to join with us in urging the New Zealand Government to protest formally to the Imperial Government, to refuse point-blank to be a party to the betrayal of Ethiopia and of the League, and to instruct its representative at Geneva to condemn the suggested "terms of peace" without qualification.

The Dominion Council of the League of Nations Union of New Zealand sent to the Government the following resolution :—

The Dominion Council respectfully urges upon the Government that in the interests of world peace and collective security it should immediately intimate to the British Government that it cannot support the Franco-British peace plan for the settlement of the Italo-Ethiopian dispute, as in its opinion the proposed terms violate the spirit and letter of the Covenant of the League of Nations, upon which the hopes of the world for enduring peace and security are based.

The clearest call to the Dominion to support the League crusade was made in a leading article in the *Evening Post* on December 14. After pointing out that in dictatorship countries no force of public opinion, apart from the opinion that the Government wills, is to be reckoned with, it says :

An unmistakable welling-up of public opinion is the best authority that a people can give to a Government to pursue a course possibly involving war, in preference to paying an aggressor his peace price. Such a mandate is possible only in a country of free men moved by their own public spirit. . . . Will public opinion in Britain rise to a critical occasion and

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create a new Geneva front, firming British policy against French weakness, and writing a new chapter in democratic history? If this happens, the peoples of the other units of the British Commonwealth will see that the lead has come from all sections of the British people who are nearest to the guns and the bombs—and this fact speaks volumes. . . . Democracy still fights the old fight in its historic citadel, the British Isles. To-day it is clear that the risks of the League crusade will not be taken unless the British people say so. Can we of the Southern Seas do less than follow the lead that is set for us by our fellows in the danger zone—the men and women who look the European peril full in the face and who so far have shirked it not?

New Zealand,
January 1936.

